Dialight

Challenging the status quo in the lighting industry

Dialight plc
Annual report and accounts 2010

Access this report online
ar10.dialight.com

A constituent of the FTSE All Share Index and headquartered in the UK, Dialight is making a world of difference by delivering innovations in LED lighting that:

- dramatically reduce total cost of ownership;
- significantly improve the safety of our customers; and
- advance the health of our planet.

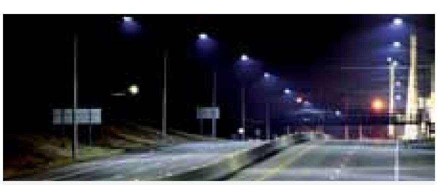
Watch
Our brief video to discover how Dialight is defining the current state of LED lighting technology worldwide:

scan this code with your smartphone camera:

or visit www.dialight.com/aboutus

We deliver through three business segments:

Signals/Illumination

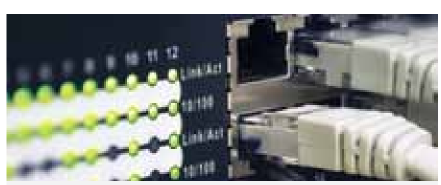


Dialight supports the increasing global demand for energy-efficient lighting solutions that are engineered to endure the harshest environments for years to come. Dialight has the largest installed base of LED traffic and obstruction signals in the world.

Signals/Illumination continues to demonstrate strong growth and margins, as the following markets for these products continue to expand:

- Industrial
- Infrastructure
- Hazardous locations
- Traffic/rail signals
- Obstruction lights

LED Indication Components



For more than three generations, Dialight OEM status indication components have continually been specified into many of the world's leading electronic products and control systems.

LED Indication Components generates strong profits and cash although performance can fluctuate with that of the general electronics market.

The segment serves the following markets:

- Cloud computing
- Server, storage and networking devices
- Power supplies
- Electrical and control panels
- Test and measurement equipment

Electromagnetic Components

Dialight supplies SMART meter switches used by utility companies to remotely manage electrical supply from a centrally monitored system.

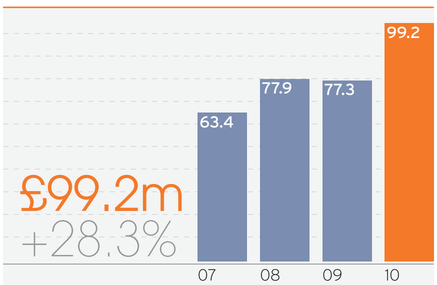
With strong prospects for the coming year in the US and with the rest of the world also moving towards mass conversion to SMART metering, the segment serves the following market:

- Residential

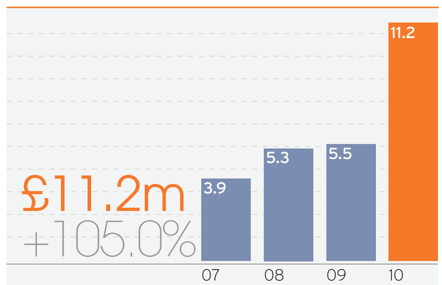
2010 highlights

Dialight's performance provides a solid foundation for continued worldwide growth.

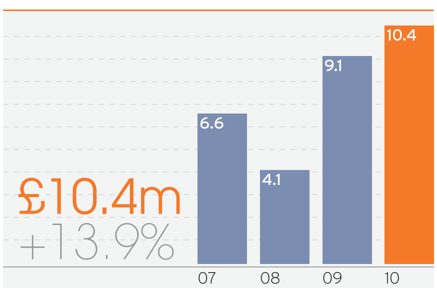
Group revenue (£m)



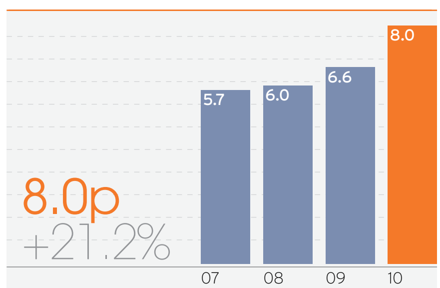
Operating profit (£m)



Cash balance (£m)



Dividend per share (p)



- Record Group revenue of £99.2 million up 28.3% on last year
- Group operating profit more than doubled to £11.2 million
- Signals/Illumination segment revenues increased by 31.7% to £61.1 million
- Proposed final dividend of 5.2 pence per ordinary share, total dividend for the year of 8.0 pence, an increase of 21.2%
- Contribution margins increased from 39.3% to 41.0%
- Acquisition of BTI Light Systems A/S ("BTI")

In this report

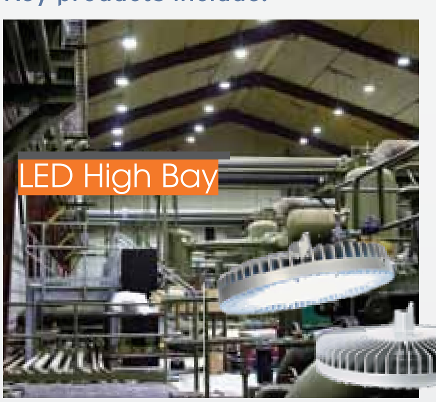
Revolutionary technology

At the forefront of a lighting revolution, Dialight is continually raising the bar with best-in-class, innovative products to serve its customer base worldwide. As LEDs become brighter, Dialight looks at ways to re-engineer products to improve not only their efficiency, but the value proposition for customers as well.

Dialight's highly skilled engineering team is comprised of technical experts around the world who hold multiple PhD and Master's degrees in science and engineering.

Through the development of new and improved products that keep it one step ahead of the competition, Dialight's intellectual property remains of real importance to the Group's continued competitive edge. In 2010 alone, 29 new patents have been filed; 16 have been granted with more pending.

Key products include:



DuroSite™ Series LED High Bay
Introduced in late 2009, the DuroSite LED High Bay has been re-engineered to further increase light output by 50%, competing directly with light sources up to 450W, while only consuming 150W. Setting an industry benchmark with over 14,000 units sold to date, many global Fortune 500 companies have installed these units realising instant energy and maintenance cost savings.

Vigilant™ Series LED Dual Red/White Beacon
Dialight's latest Vigilant Series LED Dual Beacon is 75% smaller, 10 lbs lighter and up to 95% more energy-efficient than traditional xenon based dual beacons. Now in its fourth generation, the LED Dual Beacon continues to shine as the only currently qualified product in its class in the US.

Safesite® LED Wallpack
With its low profile, rugged design ensuring long life, and high reliability, the Wallpack is ideally suited for oil platforms, explosive environments, mills, chemical plants and other hazardous applications.

Rockline Industries

As part of a corporate sustainability initiative, Rockline Industries Inc. replaced 140 inefficient 400W metal halide fittings with 140 Dialight 150W DuroSite LED High Bays, while maintaining the same levels of lighting in their manufacturing facility. Not only has the conversion reduced energy consumption and operating costs, but it has positioned the company to receive a $50,000 rebate incentive from its local utility company, as part of the American Recovery and Reinvestment Act.

Read more
www.dialight.com/news/details/rockline_case_study

ExCeL Centre

ExCeL London is a world-class events venue, located in the commercial heart of the UK. After trialing just eight samples of Dialight's LED High Bay, ExCeL decided to re-fit 250 inefficient 450W high-pressure sodium lamps with the same number of Dialight's product in a number of applications around the site including outdoor walkway canopies, perimeter lighting and the impressive half-mile long and highly used public space corridor. 70% energy savings have been reported and ExCeL London is now considering other areas to convert to LED lighting.

Read more
www.dialight.com/news/details/ExCeL_centre_case_study

Low Beam

90mm Low Beam Headlamp
A true advance in LED technology for transit buses in the US, Dialight has introduced the 9W LED Headlamp to replace 50W halogen bulbs, which typically require replacement twice a year. The Headlamp is backed by a seven year warranty which promises to deliver dramatic cuts in maintenance costs for municipalities and commercial operators.

LED Linear Fixture

SafeSite® LED Linear Fixture
The first complete LED lighting fixture on the market which carries an explosion proof rating, the SafeSite Linear, was designed to replace linear fluorescents, whilst reducing energy consumption by 50%.

View our complete product range
www.dialight.com

Global customer focus

Dialight identifies and pursues markets with strong value prospects. As new LED applications evolve, it develops products targeting the needs of its ever expanding global customer base.

Whilst there are many areas where LEDs can be used, Dialight has been careful to select those markets which fit its strategy and allow defensible and profitable growth.

Dialight continues to expand its presence worldwide.

MedSafe
Houston, Texas, US
Distribution centre

When business demanded a move to a more spacious warehouse and distribution facility, MedSafe insisted on Dialight's high-efficiency, long-life DuroSite LED High Bay and area lighting fixtures to not only deliver superb energy savings and crisp, clear white light, but also instant restrike to eliminate downtime in the wake of a power outage. With 141 DuroSite LED High Bay interior fixtures and 18 exterior area lights in place at this facility, MedSafe can now light four times the square footage at the same cost as its previous building.

Read more
www.dialight.com/news/details/medsafe_case_study

Markets in focus:

The Americas

Serving the North and Central American markets, Dialight operates out of Farmingdale, New Jersey with manufacturing facilities in Ensenada, Mexico and Roxboro, North Carolina.

2010 saw the installation of a strategic sales channel including a new Director of Sales, strategically placed regional sales managers and an outside sales force that totals more than 200 people. The creation of a new position of President in our Mexico facility will assist the Group in leading commercial activities in this region.

£68.2 million
Revenue

Europe/Middle East

With facilities in the UK, Germany and Denmark (following the Group's acquisition of BTI) and a sales office in Dubai, Dialight is well placed to service the growth in its European markets.

Strengthening of the management team in this region as well as strategic additions to the existing sales force will improve capabilities in 2011 and beyond.

£22.2 million
Revenue

Key:
- Sales/Administration offices
- Manufacturing facilities

March Foods Ltd
Cambridgeshire, UK
Food packaging centre

To improve light quality and save on energy and maintenance, March Foods Ltd replaced a total of 84 outdated 450W high-pressure sodium lamps, with an equivalent number of Dialight LED High Bays. As a British Small and Medium Enterprise ("SME"), March Foods was able to have its LED installation funded by a four-year interest-free loan of £38,000 from the Carbon Trust. The Carbon Trust offer a £1,000 loan for every 2.5 tonnes of CO_2 saved, so capital expenditure is effectively funded by the energy savings.

Read more
www.dialight.com/news/details/march_foods_case_study

York, UK
Newmarket, UK
Copenhagen, Denmark
Wang, Germany

Aisin AW
Anjo City, Japan
Manufacturing facility

Aisin, the world's number one manufacturer of automatic transmissions, installed 72 of Dialight 150W DuroSite LED High Bays to replace traditional 400W mercury vapour fittings in a one-for-one swap. The light fixture replacement represents Aisin's ambitious environmental program in which the company pledges to respect the environment in all its business activities and in every product it develops.

Singapore
Perth, Australia

Asia/Pacific

Further to the Group's acquisition of 75% of its Australian distributor Lightday Investments Pty Ltd (now trading as Dialight ILS) ("ILS") at the beginning of 2011, the Group now has sales offices in both Singapore and Australia. This serves to demonstrate Dialight's commitment to growth in the Asia/Pacific region.

£8.8 million
Revenue

Enabling sustainable practices

Going green can be good for you and your business

Dialight's environmentally friendly LED lighting solutions are helping organisations worldwide reduce their carbon footprint while achieving increases in energy efficiency, productivity and profit.

As incandescent lighting bans take hold and Dialight's LED installations multiply, the planet that we all share benefits from the dramatic reduction in CO_2 emissions.

Adoption of Dialight's DuroSite LED High Bay fixture continues to exceed expectations as industrial markets experience unparalleled levels of light output and reduction in energy consumption and operating cost.

Ever vigilant lighting technology

Dialight's advances in ultra-bright LED obstruction lighting solutions continue to improve with the introduction of its newly expanded Vigilant Series product line. Energy efficiency combined with unparalleled maintenance and environmental benefits make these units the first choice for cell tower and other obstruction applications.

SMART grid is coming to your neighbourhood

Dialight's SMART meter switches are used by utility companies to remotely manage the electrical supply of residential, commercial and industrial customers from a centrally monitored control system, thereby providing energy managers with new and improved levels of automation, control, productivity and operational savings.

Wind Turbine Lighting

Dialight's patented optical design creates the sharpest cut-off beam in the industry, achieving near-zero light pollution at ground level while beaming 2,000 candelas to aircraft pilots. It consumes 98% less energy than the incandescent light it normally replaces.

20W LED vs. 1400W Incandescent Beacon

Dialight's Vigilant Series LED Beacon is 75% smaller, 75% lighter and 98% more efficient than traditional incandescent beacons, making it the smallest, most efficient beacon in the world.

High growth

Dialight's key strategy of addressing large niche markets, each with a barrier to entry, is continuing to generate success. The Signals/ Illumination business delivers growth and profit at the level forecast, with sales in Lighting for industrial applications now playing a significant part in this development.

Improvements in LED technology and availability to turn these into even stronger value propositions for its customers represents an exciting opportunity for the Group over the coming years.

Dialight will:

1. Identify niche markets

Focus on niche markets with compelling operational and cost efficiency benefits for its customers and expand its presence in new markets enabled by advances in LED technology.

2. Focus on research and development

Use its technological expertise in thermal management, optics and electronic circuitry to develop innovative products in niche markets.

3. Develop defensible technology

Create Intellectual Property Rights ("IPR") across all research teams and develop new products incorporating this defensible technology.

4. Seek selective acquisitions

Consider acquisitions with valid channel to market, strong geographical coverage and proven technology.

5. Protect its profits

Use its low-cost manufacturing base and continually review and monitor cost-saving opportunities to reduce its material cost.

In 2010 Dialight has:

- Doubled Lighting revenues
- Introduced a dedicated European Industrial Lighting sales force
- Grown Signals/Illumination in its nominated markets of Lighting, Obstruction and European Traffic by 31.7%
- Maintained its position as the only qualified supplier of strobe lighting to tall structures in US
- Acquired BTI in April 2010
- Signed a supply agreement with a third major meter manufacturer in the US market

In 2011 Dialight will:

- Continue to innovate through the development and improvement of new and existing products
- Deliver further efficiencies through cost improvements and product design
- Consider possible additional acquisition targets and partners in regions to expand growth opportunities and global reach

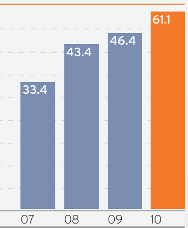
How Dialight tracks its progress
Key Performance Indicators ("KPIs")

Read more in our Chief Executive's review **pages 11-19**

Financial KPI

Signals/Illumination revenue
£m

£61.1m
+31.7%

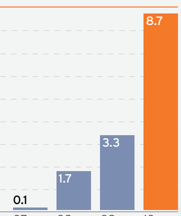


Total revenue for the Signals/Illumination segment including Traffic, Obstruction, Transportation and Lighting. This has grown over 30% on 2009.

Financial KPI

Signals/Illumination profit
£m

£8.7m
+163%

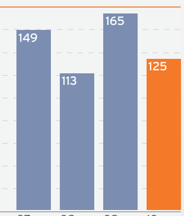


Total profit for the Signals/Illumination segment including Traffic, Obstruction, Transportation and Lighting.

Financial KPI

Operating cash as % of operating profit

125%

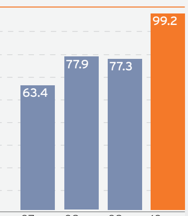


Operating cash as a percentage of operating profit shows the amount of cash made by Dialight's business.

Financial KPI

Total revenue
£m

£99.2m
+28.3%

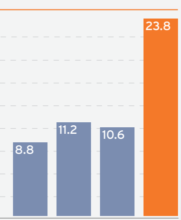


Total revenue from the Group's continuing businesses.

Financial KPI

Earnings per share ("EPS")
p per share

23.8p
+124.5%

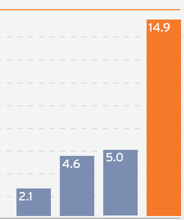


Profit for the period attributable to equity holders, excluding the effect of exceptional items, divided by the weighted average number of shares in issue during the period and excluding the Company's own shares held.

Non-financial KPI

Lighting sales
'000 units sold

14.9k
+198.0%

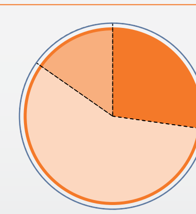


Lighting sales include those relating to products for hazardous, industrial and rugged environments.

Non-financial KPI

Patents filed, pending and granted
2010

- Filed **29**
- Granted **16**
- Pending **61**



In 2010 Dialight had 61 patents pending, 29 having been filed and 16 granted. This contrasted with figures of 65, 17 and 8, respectively, in 2009.

Harry Tee CBE
Chairman

Summary of Chairman's statement:

- Revenue grown by 28.3% to record level of £99.2 million
- Board recommends final dividend of 5.2 pence per ordinary share
- Acquisition of BTI and investment in ILS demonstrate commitment to strategic selective acquisitions

Financial results

I am extremely pleased to present an excellent set of results for 2010. The year has seen unprecedented growth in the Signals/Illumination business that serves to demonstrate the success of the Group's strategy to focus on defensible niche markets. More than 60% of total Group revenue has come from this business with a doubling in Lighting sales and excellent growth in Traffic and Obstruction lighting.

Revenue in 2010 grew by 28.3% to £99.2 million compared with £77.3 million in 2009. This is a strong performance and is particularly pleasing given that there has been growth in each of the reported market segments and in each of the major reported territories. Contribution margins have increased from 39.3% to 41.0% with the benefit of significant investment in product re-engineering and cost reduction. Overall Group operating profit has more than doubled to £11.2 million (2009: £5.5 million) and with tight working capital control, the Group has generated operating cash flow of £14.0 million leading to a year-end cash balance of £10.4 million. These results provide a solid base for future growth and continued commercial and technical investment will support that growth for the coming years.

Dividend

In line with the Group's progressive dividend policy, the Board has proposed a final dividend of 5.2 pence per share (2009: second interim: 4.3 pence) giving a total dividend of 8.0 pence which is an increase of 21.2% (2009: 6.6 pence). Dividend cover is 3.0 times. Subject to approval by shareholders at the Annual General Meeting ("AGM"), this dividend will be paid on 6 May 2011 to shareholders on the register at close of business on 8 April 2011. The total dividend on a paid basis in respect of 2010 is 7.1 pence (2009: 6.2 pence per share).

Board changes

In the middle of 2010, Robert Jeens retired from the Board after over nine years of service and Robert Lambourne joined the Board as his replacement. In September 2010 Mark Fryer joined the Board as Group Finance Director and consequently George Ralph, who had been serving as Interim Finance Director, resigned from the Board and left the Company. On behalf of the Board I would like to express my thanks to both Robert and George for their contribution to Dialight.

Staff

The contribution of our staff is critical to our continued success and I would like to express my thanks for our people's commitment, hard work and support over the past year. There are exciting but challenging times ahead and the Group can approach these with confidence in the knowledge that everyone in the organisation is working towards a common goal.

2010 has also seen a comprehensive review of Dialight's management and organisational structure. The resulting strengthening at both an operational and a corporate level will provide the necessary foundation for the Company to move forward into 2011 and beyond.

Acquisitions and investments

On behalf of the Board I would like to welcome BTI and ILS to the Dialight Group. These additions further strengthen the capability of the Group in its chosen markets whilst expanding its presence into new geographic areas.

Current trading and outlook

Our LED Indication business recovered somewhat from the downturn of 2009 and delivered its usual strong profits. Once again SMART meter disconnects grew and we look forward to continued expansion in this market.

Our Signals/Illumination business is delivering the level of growth and profit that we had forecasted and is no longer merely a business with a promising future. We are, however, still at the early stages of what the Board believes will be a period of continued high growth. Improvements in LED technology and our ability to turn them into even stronger value propositions for our customers represents an exciting opportunity for the Company over the coming years.

The Board's continued confidence in the Group's excellent prospects is supported by the strong performance in 2010 and in particular by the progress in ultra-efficient lighting and signalling.

Roy Burton
Group Chief Executive

Summary of Chief Executive's review:

- Excellent 2010 performance
- Signals/Illumination experiences record year-on-year growth
- New contract for SMART meters
- Traffic lights assembly moved to Roxboro, North Carolina, US
- LED cost per fixture reduced by 50% in the year

Whilst global economic conditions showed modest recovery, our Signals/Illumination business saw full year revenues increase by 31.7% on the prior year, with Lighting revenues doubling versus 2009 as well as doubling half-on-half within 2010. Both Obstruction Lighting and European Traffic demonstrated very strong growth also. Our strategy in this segment of focusing on defensible niche markets is proving to be effective.

Revenues in the LED Indication Components segment had been affected by the global economic downturn in the early part of 2009. This market saw recovery in 2010 although inventory build in the first half of this year was reversed in the second with revenues overall well ahead of 2009.

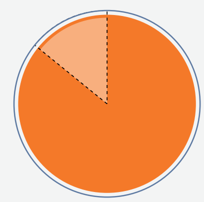
Sales of Electromagnetic Components grew single digit on 2009 but significantly we secured a new customer for Electromagnetic Disconnect devices in the form of a major US meter manufacturer.

Of the more than £20 million of growth in 2010, 65% came from the Signals/Illumination segment. As the efficiencies and cost of LED devices continue to improve, Dialight's product offerings to this market will provide even stronger financial returns for our customers whilst at the same time contributing strongly to a better environment through significant reduction in energy consumption.

Signals/Illumination
Segment sales/profits

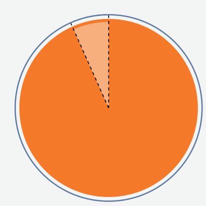
2010
Sales **£61.1m**
Profit **£8.7m**

£61.1m
total revenue



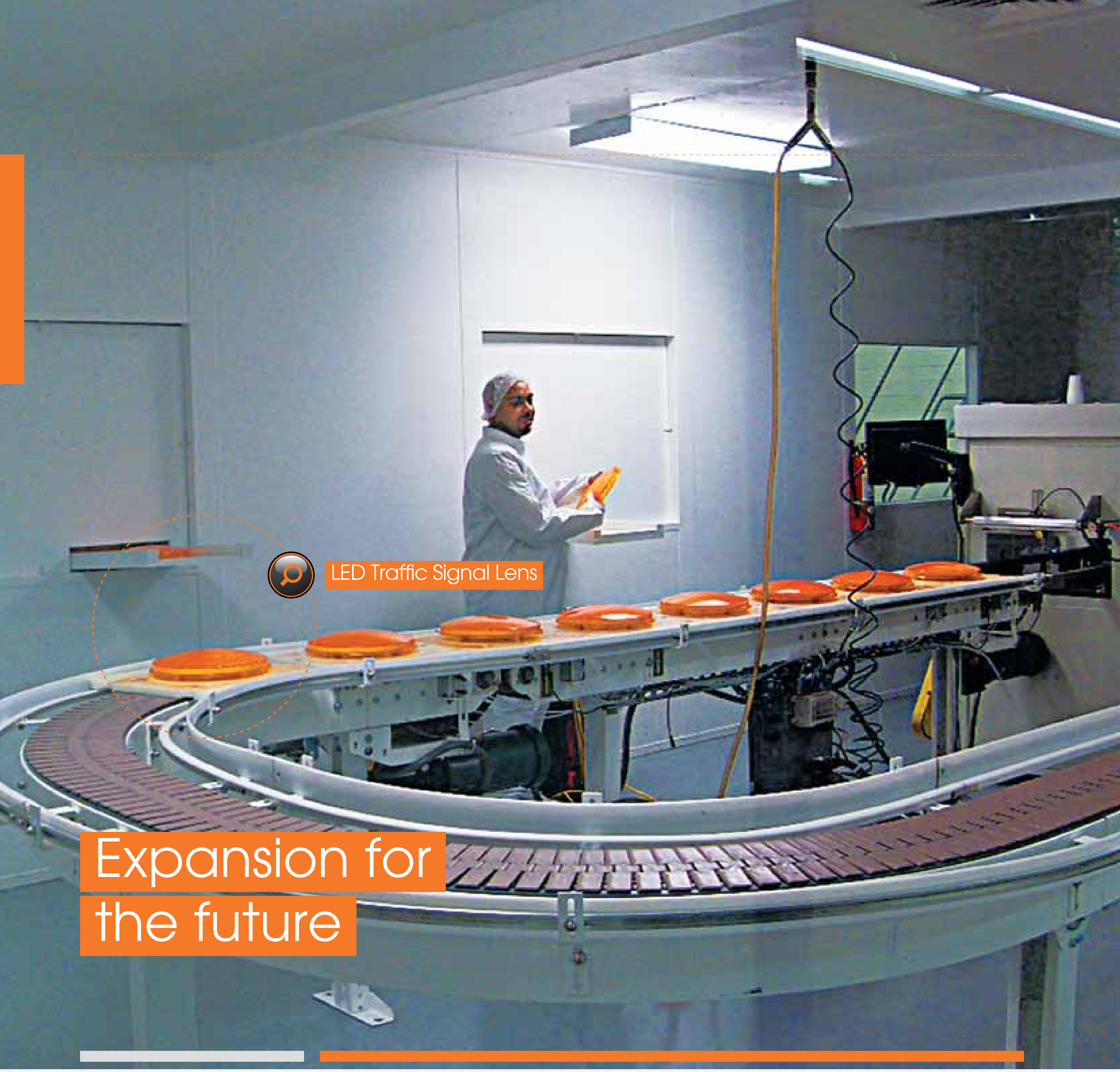
2009
Sales **£46.4m**
Profit **£3.3m**

£46.4m
total revenue



Signals/Illumination
Overall growth of more than 30% for the year with significant gains in Lighting, Obstruction and European Traffic Lights – our three nominated growth markets – is a very pleasing result. Lighting in particular, with sales of over £7.5 million in the second half, is showing an accelerating trend which bodes well for the coming years. Once again margins strengthened showing better than five percentage points improvement over 2009.

During the year we were able to take advantage of the increased capacity in the white LED supply chain to reduce the prices we pay for our LEDs. This price reduction, along with a spectacular improvement in the efficiencies available, has allowed us, in some cases to reduce the LED cost in our products by almost 50%. We anticipate that this will be a long-term trend and will both improve our margins and open up more applications where, solid state lighting can add value to our customers.



Expansion for the future

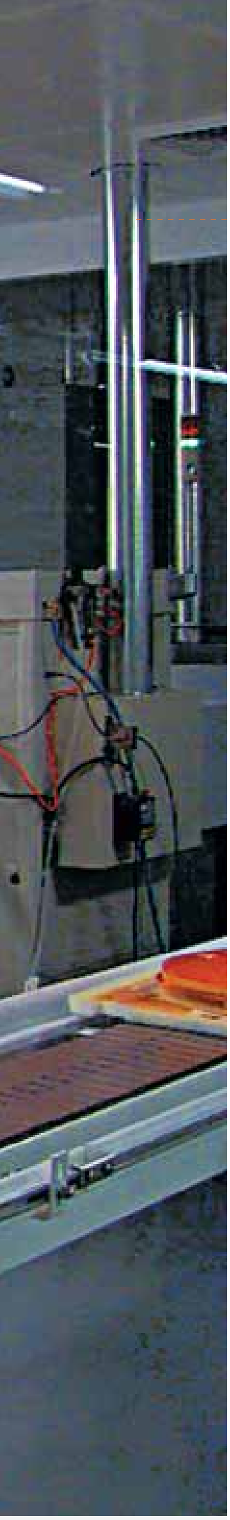
Dialight North American Manufacturing Expansion
Roxboro, North Carolina, US

In 2010, Dialight expanded a significant portion of its product manufacturing, including moulding and hard coating operations, at its Roxboro, North Carolina facility. This has effectively created more than 50 production jobs and spurred more than $1.0 million in facility upgrades and investments to make this facility the only qualified US manufacturing facility for stimulus funded (American Recovery and Reinvestment Act) traffic signal projects.

+95%

efficiency of LED Traffic Signals as compared to traditional 150W incandescent

Read more
www.dialight.com/News/Details/Traffic_Buy_American
www.dialight.com/News/Details/Roxboro_Jobs



Signals/Illumination continued

Traffic signals

Sales into the European traffic market grew by over 34% with over half of that growth coming from the UK. We continue to conduct our business through major systems OEMs such as Siemens who supply a complete system to towns and cities throughout Europe. Whilst the UK provided the major part of our growth in 2010 the rest of Western Europe also demonstrated significant improvement. Adoption levels in Europe remain low and we expect increasing sales in this market to continue.

As previously reported, the market for LED traffic signals in the US is mature, much of the traffic light infrastructure having already been converted to LED. Although we do not expect to see sales growth in this market, 2010 saw some modest improvement in sales despite the lack of any major retrofit projects. Towards the end of the year we moved assembly of our traffic light products from our Mexican plant to our facility in North Carolina. This move gave us two benefits; firstly this significantly reduced our supply chain costs but also this allowed us to claim "Buy American" status relating to the US stimulus programme (American Recovery and Reinvestment Act). Structurally there has been no change to the business and our extensive and exclusive dealer network remains as strong as ever.

As probably the largest supplier of LED traffic lights in the world, Dialight continues to improve both the performance and cost of these products to offer even more value to our customers. Our latest offering for the European market, for example, uses only a single LED with the same performance guarantee of more than five years' life.

Obstruction lighting

For many years, tall structures of all kinds have been marked by red lights and white strobes as a collision warning for nearby aircraft. These lights have long been a source of challenge to maintain since their location, is by its nature, difficult to access and maintenance is of course essential if they are to fulfil their function.

Dialight first produced LED versions of these lights back in 2002 using over 1,000 red LEDs for the largest lights. Constant improvement and development has produced the latest versions using only 24 LEDs and using only 20W compared to over 1,400W for the conventional version. However, power consumption is not the main driver for the use of LEDs in this application; maintenance can be an expensive and risky business and Dialight's five year warranty on its products is a major saver for our customers.

Whilst there exists an extensive installed base of obstruction lights, two specific applications offer Dialight substantial potential for growth. In the United States, structures over 199 feet require a white daytime strobe light and the cellular telephone network uses many of these towers. In total there are over 80,000 structures requiring such lighting and Dialight's LED strobe replaces an unreliable xenon based strobe tube. This market represents over a quarter of a billion dollar opportunity for the Company and we remain the only qualified supplier of this product in the United States. In 2009 the Company sold over 1,000 strobes and in 2010 this number grew to almost 2,500 units. To date less than 5% of the current installed base of xenon strobes has been replaced with our high reliability LED product. The LED strobe is guaranteed for five years of use although it is quite possible that our strobe may outlast the tower itself! Dialight has supplied to eight of the top ten tower operators in the US in 2010 as well as many more smaller users and growth in this application is expected to continue to be strong.

+34%

growth for Dialight European LED Traffic Signals in 2010

98%

improved efficiency for Dialight's LED red beacon compared to conventional incandescent systems

Signals/Illumination continued

Obstruction lighting continued

The second growth market for obstruction lighting is in the wind turbine market for both on and offshore use. Whilst Dialight has been successful in addressing the North American wind turbine market – all of which has been onshore – we had been less successful in penetrating the European market and in particular the offshore portion of that. In April of 2010 we acquired the Danish company, BTI. BTI has strong ties to a number of European wind turbine manufacturers and supplies a lighting system for offshore application. As one might expect, offshore installations can be a hazard to shipping as well as aircraft and BTI opens up a new market to Dialight for not only its existing products but also LED products for the marine market. Although the wind energy market has been depressed on both sides of the Atlantic in 2010, the long-term future for wind energy and associated lights is promising and the BTI acquisition is key to our long-term success in this market outside of North America.

As ever we continue to be at the cutting edge of solid state lighting technology and, through BTI, in late 2010 we demonstrated a 100,000 candela strobe light for a very tall turbine tower in Sweden. This was not only five times brighter than our current strobe but will spend most of its life turned off as it is activated by an integral radar which will detect the presence of nearby aircraft and only then activate our strobe. This is a prime example of BTI's channel presence bringing Dialight's technology to a market which would otherwise have been difficult to access.

Sales in Obstruction lighting grew by over 70% in 2010 to £12.3 million and by almost 50% even excluding the acquisition of BTI. Dialight's position in this market should generate strong growth over the next several years.

Solid state lighting

In recent years many lighting suppliers have concentrated on architectural and entertainment applications as the first uses of solid state lighting. By contrast Dialight has looked for those applications which deliver immediate value to our customers and has chosen lighting for hazardous, industrial and rugged applications as the primary thrust. Lights for these markets frequently need to be qualified to exacting international standards. The years 2008 and 2009 were really a period of foundation building for this strategy, when not only product needed to be developed, but also sales teams were being recruited and trained, brand awareness was being created and channels to market developed. The last year's results clearly demonstrate that our preparation has started to deliver its rewards and Dialight can surely claim to be the clear market leader in solid state lighting for industrial applications.

In 2009, Dialight sold approximately 3,000 light fixtures in industrial markets, twice as many as in 2008. At the close of 2010 we had sold over five times as many units with sales accelerating throughout the year. Much of this growth has come from the DuroSite High Bay light which was introduced in late 2009, although our original Safesite continued to grow in sales in spite of being superceded in the beginning of 2011 by an improved version. Our customer base in 2010 comprised over 300 companies in diverse industries from oil and gas to pharmaceuticals to power generation to cold stores and many in between. Many of these customers are still at the trial stage with our products and it is possible to view many of these sales as merely "seeding" the market.

95%

towers in the US that still use outdated xenon based dual red/white technology in North America

Mustard manufacturer leading the pack

G.S. Dunn Customer Installation
Hamilton, Ontario, Canada

At the G.S. Dunn quality control and inspection facility in Hamilton, Ontario, light quality and accuracy is a primary concern to ensure the company's dry mustard products meet its stringent standards. As part of a strategic plan to optimise visibility and reduce energy consumption, the company replaced the existing 450W metal halide fittings with Dialight's 150W LED High Bay. The lighting upgrade resulted in both superior colour rendering, and significant cost and energy savings to align with the company's fiscal and sustainability goals.

30%

output increase of white LED lighting technology over the past year

Read more
www.dialight.com/News/Details/GSDunn_case_study

LED lighting is the buzz on the street

Street Light Installation
Cape Girardeau, Missouri, US

Using a US stimulus funded energy block grant, the city of Cape Girardeau installed 104 Dialight StreetSense LED Street Lights, replacing 250W high-pressure sodium fittings with the 120W LED street light. Introduced in December 2010, the second generation street light is providing the city with more uniform illumination on the street and significantly improved colour rendering compared to the traditional fitting.

50%

typical energy savings with new StreetSense Series LED Street Lights

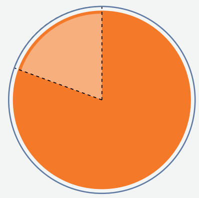
Read more
www.dialight.com/News/Details/Cape_Girardeau_Case_Study

LED Indication Components
Segment sales/profits

2010

Sales **£23.5m**
Profit **£5.6m**

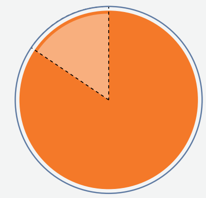
£23.5m
total revenue



2009

Sales **£17.6m**
Profit **£3.2m**

£17.6m
total revenue



Signals/Illumination continued
Solid state lighting continued

As always our products are in a mode of continuous improvement and the DuroSite High Bay which was initially introduced as a device with 8,000 lumens of light at 150W is now available with 12,000 lumens at the same wattage and with the added features of being dimmable and with the option of proximity sensing for even more efficiency. Our main strategy in this market is to offer immediate value to our customers and we are regularly calculating payback periods of less than a year in installations where lighting is heavily used.

During the year we introduced a number of new products as well as improving existing fixtures. As mentioned earlier, LED performance has improved markedly over the year and we now have three viable suppliers of the best performing LEDs. At the end of 2009 we were using 100 lumen/watt devices in our lights and we now have a good supply at close to 140 lumens/watt with 160 not too far away. This allows us either to downsize a given fixture with the consequent cost reduction or improve the output at little to no extra cost.

Throughout 2010, most of our sales have been in North America having successfully set up an extensive network of Dialight sales managers, independent manufacturers representatives and electrical distributors. During the latter part of 2010 we introduced product more specifically for the European and Asia/Pacific markets and made some key recruitment decisions to drive our sales into these geographies. We now have an Industrial lighting organisation based in the UK with Dialight sales managers in the UK, France, Germany, Dubai and Singapore. In addition to these appointments, we have recently acquired a major share in an Australian lighting distributor to address this sizeable industrial and mining marketplace.

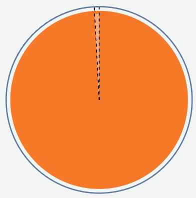
Having enjoyed a successful 2010, we look forward to continued strong growth and a good return on the organisation investment we have made.

LED Indication Components
The LED Indication business consists of the supply of small LED assemblies for status indication for use by major OEMs in the professional end of electronics. This market has been a strong profit and cash generator for Dialight over many years. This is a niche business which we do not expect to grow over the long term but rather to fluctuate with the general market. More than half of our sales are channelled through electronics distributors who address over 15,000 Dialight customers. The balance of the business goes through contract manufacturers who build for our major OEM customers like IBM, Cisco, Lucent Alcatel and others. During the first half of 2010 we saw continuation of the strong finish to 2009. This resulted in a build up of inventory in the distributor channel with a consequent correction in the second half of the year. Encouragingly sales by our distributors to end users remained flat throughout the year. There was no price erosion and the business continues to be fundamentally sound but is also expected to continue to follow the fluctuations of the general electronics market.

Electromagnetic Components
Sales in this segment grew by approximately 10%. All of that growth came from sales into the utility market driven by demand for high current switches to be used in SMART meters for the US. A key event for Dialight in 2010 was the signing of a supply agreement with a third major meter manufacturer for the US market. Shipments to this new customer were modest in 2010 but we expect more significant revenues in the coming year.

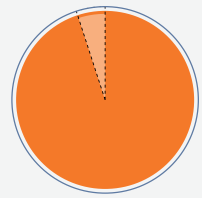
Electromagnetic Components
Segment sales/profits

2010
Sales **£14.6m**
Profit **£0.1m**



£14.6m
total revenue

2009
Sales **£13.3m**
Profit **£0.7m**



£13.3m
total revenue

Electromagnetic Components continued
Although shorter term prospects for the SMART metering market are strongest in the US with over 100 million meters to be converted, the rest of the world is also moving towards mass conversion to SMART metering. We are working on geographical expansion of this business where we believe we can generate long-term growth for the business.

As commented last year, although the growth potential is significant, margins are and will remain tight in this market.

Operations and engineering
Once again our Operations and Engineering units have been an important factor in the success of Dialight. Timely new product developments and continued cost and performance improvements can be seen in both the volume of sales for the Signals/Illumination segment and in the further enhancement to margins. Contribution margins improved by over 3% following the 6% improvement in 2009.

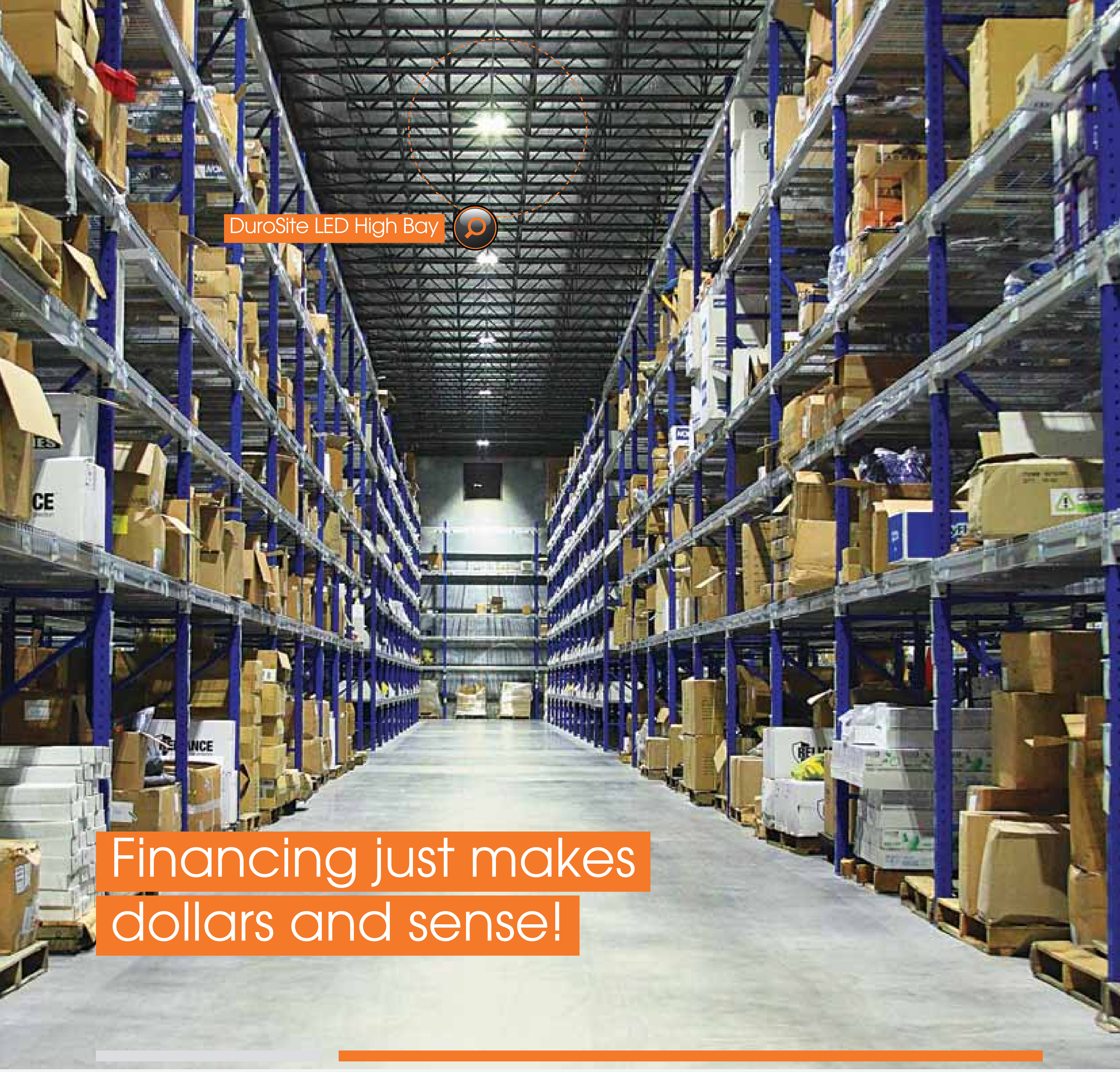
In 2010 we filed 29 new patents, 16 were granted and 61 are pending. Continuous innovation and the refusal to accept that status quo is good enough is endemic in the thought processes of our technical staff and this driven approach is fundamental to our continued success.

Operationally we continue to tighten our supply chains and expand capacity ahead of the expected demands for our products. Investment in our North Carolina and Newmarket facilities has brought our manufacturing closer to our customers as well as reducing our dependence on third party suppliers.

Inventories have remained nicely under control in spite of the increased volumes going through our factories and we are well prepared for the challenges that growing sales will bring in 2011.

Summary
2010 both started and ended very strongly as our innovative products begin to penetrate their individual markets bringing savings in energy, savings in maintenance and improved safety to our customers. Our strategy of selecting niche markets with strong growth potential for our products should set the scene for sustained improvements in the Group's revenues along with the demonstrated margin improvement in our Signals/Illumination business. Our strategy is proving to be effective in delivering both top and bottom line growth and we see the exciting performance of our ultra-efficient lighting business as being just the start of accelerating adoption of this technology in our chosen markets.

Roy Burton
Group Chief Executive



Financing just makes dollars and sense!

In 2010, Dialight partnered with Capital One Leasing and Finance and SME Eurofinance, two leaders in flexible and affordable equipment financing solutions. This partnership allows customers to take advantage of affordable and flexible leasing and lending options when upgrading their existing lighting fixtures to Dialight's high-efficiency, long-life LED lighting solutions. As financing options become a more critical component of many LED upgrade projects Dialight is now in a position to help customers by funding assets over their useful economic life and thereby protect their valuable working capital for more productive purposes.

Read more
www.dialight.com/News/Details/US_Financing_Program

100%

project financing from Capital One can help customers become cash positive from day one

Mark Fryer
Group Finance Director

Summary of Financial review:

- Strong revenue growth in mixed market conditions
- Investment of £3.7 million in engineering and cost reductions, over 6% of Signals/Illumination revenue
- Lower tax rate of 34.0% with further small reductions expected in coming years
- Cash contribution into US pension of £1.3 million ready for buyout of US scheme in H1 2011
- Strong net cash from operations of £14.0 million
- New banking relationship with Barclays Bank PLC
- Customer financing schemes established

Income statement
Revenue in 2010 grew by 28.3% to £99.2 million compared with £77.3 million in 2009. This is an excellent performance in mixed market conditions and is particularly welcomed given that there has been growth in each of the reported market segments and in each of the major reported territories. Overall, sales pricing has remained broadly constant with growth achieved purely in volume alone. The strongest growth areas were: Obstruction, with almost 50% growth excluding acquisition; Lighting more than doubling; and European Traffic growth in excess of 30%. Electromagnetic Components achieved high single digit growth albeit with the foundation set with new contract wins in 2010 to achieve improved returns in 2011.

Revenue in 2010 is split geographically:

	2010 % of total	2009 % of total
North America	**68.7**	68.2
UK	**10.2**	10.1
Rest of Europe	**11.3**	10.9
Rest of World	**9.8**	10.8

This demonstrates the Group's sensitivity to our North American business and the potential impact of US Dollar exchange rates. The Group also has exposure to the Euro.

The following exchange rates were used in translating the income statement and balance sheet of the Group and Company:

	2010 average rate	**2010 at reporting date**	2009 average rate	2009 at reporting date
US Dollar	**1.53**	**1.56**	1.57	1.62
Euro	**1.17**	**1.16**	1.12	1.13

The overall impact of the stronger US Dollar has been to increase turnover by £1.9 million and operating profit by £0.3 million. This has been partially offset by the weaker Euro which has reduced turnover by £0.3 million and operating profit by £0.1 million.

The LED Indication Components business has had a better year, improving, as expected, with market conditions. During the first half of 2010, we achieved strong growth which resulted in inventory build up in the distributor channel leading to a flat second half of 2010 compared with the second half of 2009.

Our key business segment is Signals/Illumination. The table on the next page demonstrates the major advances that have been made in this business segment which in 2010 generated a return on sales of over 14% and contributed in excess of 75% of Group operating profit.

50%

Obstruction has delivered almost 50% growth excluding acquisition

30%

European Traffic growth in 2010 was in excess of 30%

A significant contributor to these increasing returns is the impact of the Group's re-engineering and cost reduction initiatives. In 2010, the Group invested over £3.7 million on research and development which largely relates to Signals/Illumination and represents 6.0% of Signals/Illumination revenue. The key focus will be to drive down the material cost of sales which for the Group as a whole represents 50.9% of revenue (2009: 52.5%) compared to direct labour which only represents 5.2% of revenue (2009: 5.2%). The largest single material cost item the Group is exposed to is the cost of LEDs. Forecast market price reductions in LEDs as well as increases in LED light output give the Group confidence to make significant investment in re-engineering to reduce the number of LEDs purchased per product.

Administrative expenses increased by 24.3% to £8.9 million in 2010 driven by the inclusion of BTI administrative expenses, bonuses to staff, higher levels of headcount (particularly in sales and marketing) and costs of acquiring BTI (£0.1 million). These increased costs grew in particular in the second half of 2010 as we invested for the future growth of the Group.

The operating profit of £11.2 million is more than double that of the 2009 profit of £5.5 million and has been achieved through strong sales volume increases and improved contribution levels as a result of product introduction and re-engineering.

In 2009, there was an exceptional profit of £2.1 million from non-cash adjustments arising from the disposals of businesses in 2003 and 2005. There have been no exceptional losses or profits in 2010.

The tax charge for 2010 is £3.8 million (2009: £2.0 million) which represents an effective tax rate of 34.0%.

Signals/Illumination

	2010	2009	2008	2007	2006
Turnover (£m)	**61.1**	46.4	43.4	33.4	28.6
Operating profit (£m)	**8.7**	3.3	1.7	0.1	(0.5)
Return on sales (%)	**14.2**	7.1	3.9	0.3	N/A
Proportion of Group operating profit (%)	**77.7**	60.0	32.2	2.9	N/A

Income statement continued
This is lower than the effective rate of 37.7% in 2009 as the mix of profit generated in the UK has increased and deferred tax assets on historic UK tax losses have been recognised. The combination of the trend towards increasing UK profits together with lower future rates of UK corporation tax, should enable the Group to lower the effective tax rate going forward.

Profit for the period attributable to equity holders of the Company increased by 37.2% to £7.5 million from £5.4 million in 2009. The comparative for 2009 is, however, flattered by the inclusion of an exceptional profit of £2.1 million.

With an increase in ordinary shares in issue (arising from the acquisition of BTI) the earnings per share (excluding exceptional profit in 2009) has increased to 23.8 pence from 10.6 pence in 2009.

Balance sheet
Group net assets have increased to £46.2 million from £40.1 million in 2009. The main reason for this increase was the acquisition of BTI which has increased assets by £3.0 million including goodwill of £0.8 million and the value of customer relationships capitalised of £1.8 million. Other increases have been investment in plant and equipment to support growth and achieve cost savings through in-sourcing of £1.0 million.

Excluding the acquisition of BTI, overall working capital has reduced from £16.4 million to £16.1 million. Given the increase in sales, this is a good performance. Overall receivables days have reduced by almost 15 days.

We have been able to reduce the value of the inventory from £9.2 million to £8.7 million (excluding newly acquired BTI) while sales have increased significantly. We have a good mix and ageing of inventory moving forward to achieve our ambitious growth targets.

The split and movement in working capital including BTI is outlined below:

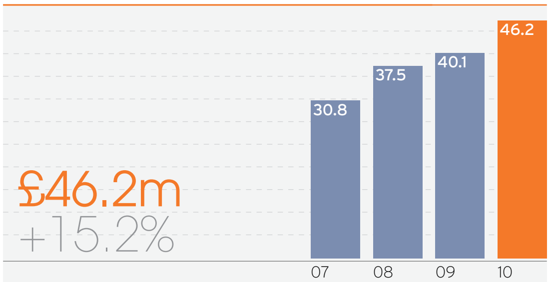
	2010 £m	2009 £m
Inventories	**9.2**	9.2
Trade and other receivables	**18.9**	18.2
Trade and other payables	**(11.3)**	(11.0)
Total	**16.8**	16.4

The Group's cash position at 31 December 2010 was £10.4 million compared with £9.1 million at the end of 2009. This is after paying tax of £4.7 million, the acquisition of BTI for £2.1 million, dividends of £2.2 million and funding cash contributions to the pension scheme of £1.3 million.

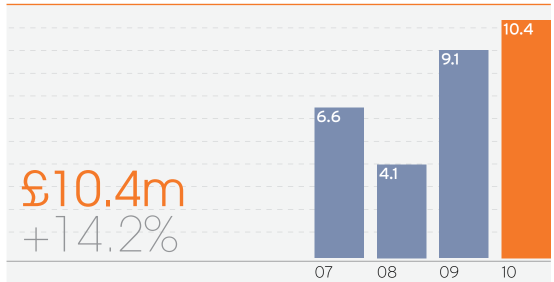
The Group has no debt other than its pension schemes.

The pension position improved significantly in 2009 to a deficit of £0.9 million from the level of £4.5 million in 2008. In 2010 the deficit has increased slightly to £1.5 million. This Group deficit is a combination of a small surplus in the UK schemes of £0.4 million and a £1.8 million deficit in the US schemes. We have made accelerated cash contributions into the US schemes of £1.3 million in 2010. The deficit calculation for the US scheme has been calculated in accordance with International Accounting Standard ("IAS") 19.

Group net assets (£m)



Net cash (£m)



Given the high level of cash contributions to the US schemes and high cost of administration and management time spent on these schemes we plan to attempt a full buy-out of this scheme in the first half of 2011. We have been advised that the cost of this buy-out premium will be allowable for US corporate tax purposes although the cost of the premium above the IAS deficit would be chargeable to income as a one-off charge.

Cash flow

The significant improvement in operating profit and prudent management of working capital has generated strong net cash from operations of £14.0 million (2009: £11.0 million). From this we have funded capital expenditure of £2.8 million (2009: £1.6 million) to support new product development, achieve cost savings in product costing and other cost improvements. There has also been tax of £4.7 million paid in 2010, the acquisition of BTI has been completed for £2.1 million and dividends of £2.2 million have been paid. Cash contributions have also been made to the pension schemes totalling £1.6 million (income charge of £0.3 million and £1.3 million through other comprehensive income).

Cash and cash equivalents at 31 December 2010 were £10.4 million (2009: £9.1 million).

Dividend

In line with the Group's progressive dividend policy, the Board proposes a final dividend of 5.2 pence giving a total dividend for the year of 8.0 pence, an increase of 21.2% over 2009 when an interim dividend of 2.3 pence and a second interim of 4.3 pence was paid (total 6.6 pence). A total dividend of 8.0 pence would be covered 3.0 times. The final dividend, if approved by shareholders at the AGM, would be paid on 6 May 2011 to members on the register at the close of business on 8 April 2011.

Banking

The Group has moved its banking relationship to Barclays Bank PLC. The Group has a £3.0 million overdraft facility as well as a revolving credit facility of £7.0 million that can be called should a suitable acquisition opportunity arise. The Group has also had discussions with Barclays with regard to term facilities of a further £13.0 million should these be required.

During 2010 the Group also commenced new relationships with Capital One Bank in the US and SME Eurofinance Group plc to offer finance facilities to its customers. These facilities are not underwritten by the Group.

Mark Fryer
Group Finance Director

The following section sets out the principal risks and uncertainties facing the Group. There may be other risks and uncertainties which are not yet known or which are currently considered to be immaterial but later turn out to have a material impact.

Some of the areas set out will be outside of any influence that the Group may exert. Should any of the risks actually materialise then Dialight's business, financial condition, prospects and share price could be materially and adversely affected.

Area of risk	Description and mitigating activity
Macro-economic conditions The Group's sales and profits may be impacted by spending slowdowns and/or increasing inflationary pressures.	A significant slowdown in economic conditions globally and in certain territories such as North America could have a material effect on sales and operating profit in particular for the LED Indication Components business. The current adverse conditions for public organisations to reduce and/or defer their capital spending budgets may impact on sales of some of our products. **Mitigating activities include:** • Management of the LED Indication Components business monitors the general electronics demand index as well as industry forecasts so as to become aware of market trends. • The monthly point of sales data which is provided by US distributors is reviewed as this is also considered to provide valuable information on market demand.
Changes in government legislation or policy National and local policies with regard to energy savings in a number of areas such as transport and communication are constantly evolving.	This should favour Dialight's efforts in growing sales in some key niche current and potential opportunities identified by the Signals/Illumination business. Additionally, legislation may introduce new higher and more exacting specifications for existing products which will require product redesign and regulatory re-certification. Therefore changes in product specifications should favour Dialight in giving it an advantage over competition. **Mitigating activities include:** • It is Dialight's policy to operate in highly regulated markets which require suppliers to achieve compliance with demanding product standards. • Dialight's design and engineering departments have a proven track record in technical ability evidenced by strong working relationships with customers and regulatory boards, the design and introduction of new products and a portfolio of registered IPR.
Competitive environment Dialight operates in competitive markets with threats of existing competitors or potential new entrants.	The threat may, for example, come from an extremely aggressive pricing policy for larger traffic contract bids in US and Europe. **Mitigating activities include:** • Dialight's focus on identifying, developing and maintaining sales routes to market, servicing strong customer relationships; competitive and leading-edge product portfolios and cost-efficient manufacturing plants support Dialight as a major player in its chosen markets and helps to reduce the risk of losing market share to competition.
Laws and regulations The Group's operations are subject to a wide range of laws and regulations.	**Mitigating activities include:** • Group policies and procedures are documented and communicated through a policies and procedures manual. • All Group companies have an employee handbook detailing employment practices and staff receive the appropriate training and support to operate in their roles. • Each site has a health and safety manager responsible for compliance and performance in this area.

Area of risk	Description and mitigating activity
Strategy for revenue growth – LED technology The strategy of the Board includes the following financial goals: – to grow sales by compound double-digit percentage; and – compound EPS growth in the mid-teens	Achievement of the goals is dependent on growing sales in the chosen markets within the Signals/Illumination business such as industrial solid state lighting. The adoption by the market of LEDs for new applications is principally dependent on the increased efficiency and reduced cost of LEDs versus existing technologies such as fluorescent or high-intensity discharge. The achievability of the Group's longer-term sales growth would be seriously at risk if the parties who are developing the LEDs did not achieve the expected progress such that new applications did not become feasible. Additionally with the fast-changing technology world that exists there is a possibility of a technology being developed that supersedes LEDs. **Mitigating activities include:** • Dialight's engineers are actively contributing by their presence on industry related boards and their attendance and presentations at industry seminars, so as to be proactively involved and to keep abreast of developments on a regular basis.
Intellectual property The development and ownership of intellectual property is critical in underpinning the growth potential for the business.	The Group operates a stringent policy on the sharing of know-how with third parties as well as having a well defined policy on the in-house identification and registration of patents. If the Group fails to or is unable to protect, maintain and enforce its existing intellectual property, it may result in the loss for the Group, to the exclusive right to use technologies and processes which are included or used in its businesses. **Mitigating activities include:** • Plans to improve the quality of the new product introduction systems across the businesses have been implemented with good progress being made as evidenced by the expanding patent portfolio.
Product liability risks Products should conform to agreed specifications.	If a product of the Group does not conform to agreed specifications or is otherwise defective, the Group may be the subject of claims by its customers arising from end-product defects or other such claims. The Group is currently aware of a potential claim from a Signalling/Illumination customer which cannot be quantified. **Mitigating activities include:** • The Group carries appropriate product liability insurance.
Financial markets Turmoil in global financial markets could pose risks to Dialight's financial position.	Any turmoil poses risks to both Dialight's customers and suppliers, as well as the ability of the Group to negotiate bank facilities. **Mitigating activities include:** • There are ongoing reviews of supplier bases to ensure wherever possible that there is not over-reliance on one specific supplier. • The Group has a new banking relationship with Barclays. Currently the Group has not drawn down any borrowings against the existing facility. Regular contact will be kept with the bank to ensure that they understand the business and its requirements. • Customers are subject to credit checks and there is very close review of trade debtor days outstanding and overdue amounts. Purchase limits are set for all customers.
Currency exchange The Group is exposed to translation exchange rate risk.	As a significant proportion of the Group's results, assets and liabilities are reported in US Dollars and Euros, they are subject to exchange rate risk when translated to UK Sterling for incorporation into the Group's results. **Mitigating activities include:** • Where possible the Group nets such exposures and will maintain a hedging programme utilising foreign exchange forward contracts and currency overdrafts to cover specific contracts and such proportion of other anticipated exposures as can be estimated with reasonable certainty.
Acquisitions Inability to identify suitable acquisition targets and to integrate successfully acquired businesses into the Group.	The successful implementation of Dialight's acquisition strategy depends on its ability to identify targets, successful completion of the transaction, achievement of an acceptable rate of return and a successful and timely integration post-acquisition. **Mitigating activities include:** • The Board plans to make acquisitions of businesses where the targets fit appropriately into the Group strategy by strengthening Dialight's product range and existing technologies, offering new and attractive sales routes to markets, having high performance and motivated management, and having a proven profit record.

The Board considers its approach to corporate social responsibility to be integral to the successful operation of the business.

Corporate social responsibilty ("CSR") covers the Group's many and varied responsibilities to its employees, customers, suppliers and shareholders as well as the impact of the Group's operations on the environment and the wider community.

2010 has seen Dialight start to adopt a more formal approach to CSR and 2011 will see this continuing.

Polices and procedures
The Group Polices and Procedures Manual (the "Manual") sets out all polices and procedures that the Group must follow. The Manual includes sections on environmental policy, whistleblowing, recruitment and health and safety.

Health and safety
Dialight is committed to achieving and maintaining the highest reasonable standards of health and safety across all its businesses so as to provide a safe environment for employees, customers and visitors. The management of each business is responsible for ensuring compliance with the Group's policy and relevant local health and safety regulations. At Board level the Group Chief Executive has overall responsibility for health and safety.

Each business has staff who have received the appropriate level of training to manage the local policy. The business procedures and systems are designed to:

- run training programmes for employees on health and safety matters whilst reinforcing the importance of a culture which is focused on safe working procedures;
- monitor and assess work procedures and to implement changes where required; and
- communicate with all employees to develop a work culture which recognises the importance of health and safety procedures.

The businesses conduct continual self assessment of their operating systems and controls. A report on health and safety matters is included in the monthly reports submitted to the Group Chief Executive by the businesses. In addition health and safety performance is now included as a formal Board agenda item.

An independent firm of health and safety consultants has been engaged to perform random visits to each of the business sites and to submit a report of their findings to both local management and Dialight's Board. The independent reviews have not produced any significant findings.

View this page online
ar10.dialight.com/corporateresponsibility

Environment
Dialight's products do not require capital-intensive processes. The Group policy in respect of manufacturing sites is to operate within systems which monitor, control and, where practical, minimise any environmental effect. Emissions of gases, chemicals and water are well below government thresholds and, in most cases, undetectable. Principal areas of focus are the reduction of waste and the minimisation of water and energy consumption. All sites operate to increase reuse and the recycling of materials including packaging.

The other key area of focus is the quantity and type of material used in the products manufactured. The engineering department performs an important role in progressing the programme to reduce the amount of material used in the products and, where practical, to substitute out hazardous material. This action covers own purchases and material used by suppliers. Dialight works to meet and exceed internationally recognised regulations such as RoHS-2002/95/EC, WEEE-2002/96/EC, ELV-200/53/EC dated 27 June 2002 and JGPSSI dated 22 July 2003.

Products are WEEE compliant and compliance with the regulation has not had a material impact on the Group. Many of the Group's products have a positive impact on the global environment, particularly its Signals/Illumination products, as they are proven to significantly reduce energy consumption compared with similar products using other technologies. Further details on this aspect of Dialight's products are set out in the Overview on pages 2 to 7.

The workplace
Dialight's culture is one of openness, honesty and accountability and one that recognises that all employees play a part in delivering the Group's business performance in a safe and efficient environment.

1

2

3

4

5

6

1. Harry Tee CBE (age 65 years)
Chairman

Harry Tee CBE founded The Roxboro Group (now Dialight plc) in 1990 and has a lifetime's experience in management within the electronics industry. He is now Group Chairman, having retired as Chief Executive of the Group on 29 September 2005, and Chairman of the Nominations Committee. Prior to forming The Roxboro Group he was a main board director at Graseby plc and held a number of senior management posts in Schlumberger and ITT. Harry is Chairman of Scientific Digital Imaging plc, Piezotag Ltd and has recently retired as Chairman of The Electronics Leadership Council. He is currently Immediate Past Master of the Worshipful Company of Scientific Instrument Makers and is a Past President of GAMBICA and EECA and a past Vice-President of FEI and Intellect. He is a Fellow of the Institute of Engineering and Technology, a Fellow of the Royal Institution and a Fellow of the Royal Society for the Encouragement of Arts, Manufacture and Commerce. Harry was honoured with a CBE in the Queen's Birthday Honours List in 2008 for services to the electronics industry.

2. Roy Burton (age 63 years)
Group Chief Executive

Appointed President and CEO of Dialight Corporation in July 2002, Roy Burton became Group Chief Executive of Dialight plc in September 2005. Roy has many years' experience in the electronics industry having started his career in the UK working with Philips Electronics, ITT and Amphenol Corporation with whom he relocated to the US. In 1994 he became Group President Electronics for Thomas and Betts Corporation headquartered in Memphis, Tennessee and prior to his appointment at Dialight was CEO of Coraza Systems Inc. Roy is based at Dialight Corporation's headquarters in Farmingdale, New Jersey.

3. Mark Fryer (age 43 years)
Group Finance Director

Mark Fryer was appointed as Group Finance Director with effect from 31 August 2010. From 1995 to August 2010 he was Group Finance and Business Development Director of Manganese Bronze Holdings plc. Prior to this he worked at GKN plc as Finance Director of the Industrial Services Division and was latterly Chief Financial Officer of a GKN subsidiary in the United States. He was also Financial Controller of Mercury Communications, a subsidiary of Cable & Wireless plc. Mark is a Chartered Accountant, having qualified with Ernst & Young in 1988.

4. Bill Ronald (age 55 years)
Senior Independent Director

Bill Ronald joined Dialight as a Non-Executive Director in May 2009. He was appointed Senior Independent Director on 25 August 2010, is Chairman of the Remuneration Committee and a member of the Audit and Nominations Committees. He is currently also a Non-Executive Director of Bezier Group, Halfords Group plc and Alfesca HF. He was Chief Executive of Uniq plc, a pan-European convenience food business, from 2002 until 2005. Prior to this Bill's career was with the Mars Corporation where, in 1998 he was appointed Managing Director of the UK confectionery operation and a Vice-President of Masterfoods Europe having held a variety of roles in the Sales and Marketing functions.

5. Robert Lambourne (age 58 years)
Non-Executive Director

Robert Lambourne joined Dialight as a Non-Executive Director in May 2010. He is both Chairman of the Audit Committee and a member of the Remuneration and Nominations Committees. He is a Chartered Accountant and has held a number of public company executive directorships, most recently as Finance Director of RMC Group Plc and, prior to that, as Finance Director of Hepworth plc. He is an experienced Non-Executive Director of both public and private companies in the UK and overseas. In the UK, he has been a Non-Executive Director of Pace Micro Technology plc, Abacus Group Plc and Analyst Investment Management plc as well as a number of private companies. Outside the UK, he is currently Chairman of Penox SA based in France and of Sokao Holdings SA based in Belgium and was also a Non-Executive Director of Huttig Inc in the US.

6. Richard Stuckes (age 43 years)
Non-Executive Director

Richard Stuckes joined Dialight as a Non-Executive Director in May 2009 and is a member of the Audit, Remuneration and Nominations Committees. Following the acquisition of Imperial Chemical Industries plc ("ICI") by AkzoNobel in January 2008, Richard was appointed to his current role of Chief Executive Officer, UK, Ireland, China, South Africa and Building Adhesives Europe. Richard originally joined ICI Paints on 1 January 2005 and in July 2005, had been appointed to the role of Chief Executive Officer, ICI Paints UK and Ireland. Prior to this, Richard gained extensive experience in the lighting industry through his 13 years with Philips Lighting, including his role as Managing Director for the UK activity and for both the Spanish and Portuguese businesses.

The Directors present their Annual Report and the audited financial statements of the Group and of the Company for the year ended 31 December 2010.

Principal activities

The Company is the holding company of the Dialight Group of Companies ("Dialight" or the "Group"), the world leader in applied LED technology. The Group's operations comprise three segments: Signals/Illumination; LED Indication Components; and Electromagnetic Components. A brief summary of each segment's operations can be found on the inside front cover and the Overview section of the Annual Report on pages 1 to 7. In addition the Business review on pages 8 to 27 contains information on business developments during the year.

Business review

The Board is required to present a fair view of the business performance of the Group during the financial year ended 31 December 2010, a description of the principal risks and uncertainties facing the Group and the future developments of the business. The information that satisfies the requirements of the Companies Act 2006 can be found in the Chairman's statement, the Chief Executive's review, the Financial review, the principal risks and uncertainties section, the KPIs and the Corporate social responsibility report. These can be found on pages 8 to 27. Each is incorporated by reference into, and forms part of, this Directors' report.

Results and dividends

Results for the year are set out in the consolidated income statement on page 47. The Board recommends a final dividend of 5.2 pence per ordinary share, making a total dividend for the year of 8.0 pence (2009: 6.6 pence). Subject to the approval of shareholders at the AGM, the final dividend will be paid on 6 May 2011 to shareholders on the register at the close of business on 8 April 2011. No final dividend was paid in respect of 2009 although a second interim dividend of 4.3 pence per ordinary share was declared and paid to shareholders on 1 April 2010.

Acquisitions and investments

On 28 April 2010 the Company acquired the entire issued share capital of BTI, a Danish company offering signalling and safety equipment for the wind, marine and airport industries, for an initial consideration of £3.0 million. In settlement of the consideration, £2.1 million was paid in cash and 360,730 ordinary shares in the Company were issued. The acquisition enhanced the Company's growing signalling business and provides a strong channel to the growing European offshore wind market. This complements the Group's already significant North American penetration of the wind turbine market and strengthens the Group's presence in Europe.

At the beginning of 2011 the Group also acquired 75% of ILS, the Group's Australian distributor. This company now trades as Dialight ILS and serves the large industrial, hazardous and mining sectors in Australia. This further supports the Group's move into the industrial and hazardous lighting market with its ultra efficient lighting products.

Corporate governance

A review of the Group's application of the principles and provisions of the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 (the "Code") is set out on pages 34 to 38.

Directors and interests

The names of the Directors currently serving on the Board are shown on pages 28 and 29, together with brief biographical details for each.

George Ralph, Interim Finance Director, and Robert Jeens resigned as Directors of the Company on 28 September 2010 and 25 August 2010 respectively. The Group appointed Mark Fryer as Group Finance Director on 31 August 2010. As a result of Robert Jeens' resignation, Robert Lambourne was appointed to the Board as a Non-Executive Director and Chairman of the Audit Committee on 26 May 2010.

The AGM in April 2011 will see the start of annual re-election for all Directors. A provision in the UK Corporate Governance Code published in June 2010, which although not directly applicable to the Company at this time, has been adopted with immediate effect by the Board.

The interests of the Directors and their families in the share capital of the Company as well as details of the Directors' remuneration and service contracts can be found in the Remuneration report on pages 39 to 43. None of the Directors had or has an interest in any material contract relating to the business of the Company or any of its subsidiary undertakings.

Directors' indemnities and insurance

During the year the Company maintained liability insurance and third party qualifying indemnity provisions pursuant to the Companies Act 2006 for its Directors and officers.

Financial instruments
The financial risk management objectives and policies of the Company including interest rate, currency and credit risk are outlined in note 22 to the Company's consolidated financial statements.

AGM
The Company's AGM will take place at 11.30am on 20 April 2011 at the Glaziers Hall, 9 Montague Close, London Bridge, London SE1 9DD. The Notice of the AGM (the "Notice") can be found on pages 85 to 92. The Notice sets out details of the resolutions that will be proposed at the AGM as well as explanatory notes that provide the background and reasons for the resolutions.

At the 2010 AGM shareholders granted the Directors the authority to purchase up to 3,123,950 ordinary shares in the Company, which will expire on 12 May 2011. A resolution to renew this authority will be put to shareholders at the AGM on 20 April 2011.

Political and charitable contributions
During the year the Group made contributions of £1,000 (2009: £1,000) to various charities. It is Group policy that no donations are made for political purposes and as a result there were no such political donations made during the year (2009: £nil).

Employees
Regular communication with employees is key to ensuring that there is clarity which allows all to understand their role in improving the Group's business performance. Regular meetings are held by regional management teams to discuss performance and strategy. All are encouraged to contribute to discussions.

Employment policies are designed to attract, retain and motivate the best people. These cover performance management, employee development, succession planning and recruitment, as well as including guidelines on staff appraisals and consultations between individuals and local management. Training and development is undertaken locally but all employees are given equal opportunities to develop their experience and their careers.

The Group gives full and fair consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Employees who become disabled are provided, where practicable, with continuing employment under normal terms and conditions and are provided with training and career development wherever appropriate.

2010 saw the appointment of a Group HR Director. This appointment will be key in shaping the approach of the Group to its employees as it moves forward in order to meet the demands of a growing business. As well as reviewing the Group's existing policies and procedures in this area, the development of the Group's senior management will become a key area of focus.

Research and development
The Group continues to invest resources engaged in technology and product development in the UK, Denmark, Germany and the US and to update and expand its product range. Investment in this area is essential for the Group to retain and increase its market share in its competitive markets.

Creditor payment policy and practice
Terms of payment are agreed with individual suppliers prior to supply. It is the Group's policy to settle with its suppliers as payments fall due, provided the supplier has delivered the goods and services in accordance with agreed terms and conditions. As the Company is a non-trading holding Company it has no trade creditors. At 31 December 2010, the Group had an average of 43 days' (2009: 47 days') purchases outstanding in trade creditors.

Share capital structure
Share capital
As at 31 December 2010 the Company had 31,600,231 fully paid ordinary shares of 1.89 pence each in issue which are listed on the London Stock Exchange. The Company has a single class of shares. No shares have been issued that carry any special rights with regard to the control of the Company. Full details of the Company's share capital are given in note 37 to the accounts.

Substantial shareholdings
As at 9 March 2011 the Company had received the following notifications pursuant to DTR 5 of the Disclosure and Transparency Rules of the FSA (the "DTR").

Shareholder	Number of voting rights	% of issued share capital/voting rights
BlackRock Inc.	4,142,239	13.11
Standard Life Investments Ltd	3,989,042	12.62
Generation Investment Management LLP	1,712,000	5.42
Impax Asset Management Ltd	1,538,820	4.87
Aberforth Partners LLP	1,514,403	4.79
The Tee Family	1,453,357	4.65
BlackRock UK Smaller Companies Fund[1]	1,270,650	4.02
Legal and General Group plc	1,207,443	3.82

1 Note that this holding also forms part of the larger holding of BlackRock Inc. but was notified in its own right.

Share capital structure continued

Rights and obligations

The rights and obligations attached to the Company's shares are contained in the Company's Articles of Association (the "Articles"), a copy of which can be obtained from the Company Secretary at Dialight plc, Exning Road, Newmarket, Suffolk CB8 0AX (the "Registered Office"). The Articles may only be amended by a special resolution of the Company at a general meeting. No one person has any special rights of control over the Company's share capital and all shares are fully paid. Each ordinary share carries the right to one vote at general meetings of the Company.

Dividends

Subject to the relevant statutory provisions and the Articles, holders of ordinary shares are entitled to a dividend declared or paid out of profits available for such purposes. The Directors may withhold a dividend (or any part of a dividend) or other amount payable in respect of shares if a shareholder has not supplied information to the Company in default of a request duly served under Section 793 of the Companies Act 2006 (the "Default Shares") and such shares represent at least 0.25% of the class of shares concerned.

Transfer restrictions

There are no specific restrictions on the transfer of the Company's shares, although the Articles contain provisions whereby Directors may refuse to register a transfer of a certificated share which is not fully paid. The Directors may also refuse to register the transfer of a certificated share unless: (1) it is in respect of a share over which the Company has no lien; (2) it is in respect of only one class of shares; (3) it is in favour of a single transferee or not more than four joint transferees; (4) it is duly stamped; and (5) it is delivered to the Registered Office or such other place as the Board may decide, accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so.

The Directors may also refuse to register a transfer of shares if a shareholder has not supplied information to the Company in default of a request duly served under Section 793 of the Companies Act 2006 and such shares represent at least 0.25% of the class of shares concerned. The Company is unaware of any arrangements between its shareholders that may result in restriction on the transfer of shares and/or voting rights.

Voting restrictions

Subject to special terms as to voting on which shares have been issued, at a general meeting, every member present in person or proxy has one vote per ordinary share. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and seniority is determined by the order in which the names of the holders stand in the register.

Unless the Board otherwise decides, no member is entitled in respect of a share held by him to be present or to vote, either in person or by proxy, at a general meeting or at a separate meeting of the holders of class of shares or on a poll, or to exercise other rights conferred by membership in relation to the meeting or poll, if a call or other amount due and payable in respect of the share is unpaid. This restriction ceases on payment of the amount outstanding and all costs, charges and expenses incurred by the Company by reason of the non-payment. The member is not entitled in respect of the Default Shares to be present or to vote (either in person or by proxy) at a general meeting or at a separate meeting of the holders of a class of shares or on a poll, or to exercise other rights conferred by membership in relation to the meeting or poll.

Subject to existing statutory provisions and the Articles, a poll may be demanded on any question by the Chairman of the meeting; or not less than five members present in person or by proxy and entitled to vote; or a member or members present in person or by proxy representing in aggregate not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or a member or members present in person or by proxy holding shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right. A demand by a proxy is deemed to be a demand by the member appointing the proxy.

Variation of rights

Subject to statutory provisions, the rights attached to a class of shares may be varied whether or not the Company is being wound up (i) in such manner (if any) as may be provided by those rights; or (ii) in the absence of provision, either with the consent in writing of the holders of at least three-fourths of the nominal amount of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class validly held in accordance with the Articles, but not otherwise.

The rights attached to a class of shares are not, unless otherwise expressly provided in the rights attaching to those shares, deemed to be varied by the creation or issue of further shares ranking pari passu with or subsequent to them or by the purchase or redemption by the Company of its own shares in accordance with existing statutory provisions.

Re-appointment of Directors

The appointment and replacement of Directors of the Company is governed by its Articles and the Companies Act 2006. Further information concerning the appointment and re-appointment of Directors at the 2011 AGM can be found in the Corporate governance statement on pages 34 to 38.

Share capital structure continued

Rights and obligations continued

Re-appointment of Directors continued

The Company must have a minimum of two Directors holding office at all times. There is no maximum number of Directors. The Company may, by ordinary resolution, appoint any person to be a Director. The Board may appoint a person who is willing to act as a Director, either to fill a vacancy or as an addition to the Board. A Director appointed in this way may hold office only until the dissolution of the next AGM unless he or she is re-appointed during the meeting.

Under the Articles, at each AGM of the Company, any Director who (i) was appointed or re-appointed three years or more prior to the meeting; (ii) was appointed or re-appointed at the third immediately preceding AGM; or (iii) at the time of the AGM has served more than eight years as a Non-Executive Director of the Company (excluding the Chairman) shall retire by rotation and such further Directors must retire by rotation so that in total not less than one-third of the Directors retire by rotation each year. However, the Board has decided to adopt provision B.7.1 of the UK Corporate Governance Code 2010 so that all Directors stand for re-election on an annual basis with immediate effect.

Power of Directors

The Directors are responsible for the management of the business of the Company and may exercise all powers of the Company subject to applicable legislation and regulation and the Articles and any special resolution of the Company passed at a general meeting. The Directors have the power to issue and buy back shares in the Company, as well as to grant options over or otherwise dispose of unissued shares in the Company, to such persons, at such times and on such terms as they think proper.

Change of control

Significant agreements

The Company is not party to any significant agreements that contain any material change of control provisions.

Dialight Performance Share Plan

The rules of the Performance Share Plan ("PSP") provide that, in the event of a change of control through a general offer or scheme of arrangement, shares subject to awards under the PSP could be released within one month of the date of notification of the likely change of control.

Dialight Employees' Share Ownership Plan Trust

The Company has established the Dialight Employees' Share Ownership Plan Trust ("ESOT") in which all employees of the Group, including Executive Directors, are potential beneficiaries. The ESOT currently holds 159,621 (2009: 256,000) ordinary shares in the capital of the Company. The Trustees of the ESOT retain the voting rights over the shares held in the ESOT and exercise these rights independent of the interests of the Company.

Going concern

The Directors have reasonable expectations, after making appropriate enquiries, that the Group has adequate resources to continue in operation for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Disclosure of information to the auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Resolutions to re-appoint KPMG Audit Plc as auditors to the Company and to authorise the Board to determine the auditors' remuneration will be proposed at the AGM.

By order of the Board

Nick Giles
Company Secretary
9 March 2011

Registered office:
Dialight plc
Exning Road
Newmarket
Suffolk CB8 0AX

Company Number: 2486024

1. Compliance with the Combined Code on Corporate Governance (the "Code")

This report, and the Remuneration report contained on pages 39 to 43, describes how the Group has applied and complied with the principles, supporting principles and provisions contained in the Code of the Financial Reporting Council ("FRC") as published in June 2008 for reporting years commencing on or after 29 June 2008.

The Board considers that the Company has been in full compliance with the provisions set out in the Code throughout the year ended 31 December 2010. The Directors' statement regarding compliance with requirements relating to internal control can be found below in section 3.

The Board has considered the UK Corporate Governance Code (the "New Code") following its publication in June 2010 and is reviewing its policies and procedures in line with the updated provisions. Compliance with the provisions of the New Code will be reported on in the Company's next Annual Report.

Further information on the Code and New Code can be found on the FRC's website, www.frc.org.uk.

2. Directors

(a) The Board

The Board is accountable to the Group's stakeholders, including its shareholders, for the standards of governance operated throughout the Group. It is committed to high standards throughout all of the Group's operating locations.

Policies and procedures that are adopted by the Board are included in the Group Policies and Procedures Manual (the "Manual"). This includes the role and authorities that are applicable to the Board, the Executive and the operating businesses and how these are delegated where appropriate. Updates to this Manual are approved by the Board and communicated across the Group as required.

The Board has adopted a formal schedule of matters that are specifically reserved for its decision including the approval of annual and interim results; the recommendation of dividends; approval of annual budgets; review of Group strategic plans; the approval of larger capital expenditure and investment proposals; review of the overall system of internal control and risk management; and the review of corporate governance arrangements.

Specific responsibilities are delegated to the Audit, Remuneration and Nominations Committees and these are documented through the relevant committee terms of reference. The matters reserved for Board decision and the committee terms of reference are reviewed on an annual basis. These are available on the Company's website at www.dialight.com or from the Company Secretary at the Company's Registered Office.

The Board held eight scheduled meetings during 2010 including a two-day annual strategy and planning meeting hosted at the Group's US headquarters in Farmingdale, New Jersey, US as well as meeting on a number of other occasions as the situation and circumstances required. Further details of Directors' attendance at all scheduled meetings of the Board and its Committees can be found in the table below. There are seven Board meetings scheduled to take place in 2011.

Board agendas are prepared by the Chairman in conjunction with the Group Chief Executive and the Company Secretary. At each meeting the Board is provided with regular and timely information on the financial performance of businesses within the Group, and of the Group as a whole, together with reports on trading, health and safety, performance, markets and other relevant issues.

Board and Committee papers are distributed to Directors in advance of Board and committee meetings to facilitate informed debate at the meeting. No individuals apart from the committee chairman and committee members are allowed to be present at committee meetings although other individuals including the Chairman, Group Chief Executive, Group Finance Director, Group HR Director and external auditors may attend meetings at the prior invitation of the Committee Chairman.

Number of meetings attended	Board	Audit Committee	Remuneration Committee	Nominations Committee
Harry Tee CBE	8/8	N/A	N/A	6/6
Roy Burton[1]	8/8	N/A	N/A	1/6
Mark Fryer[2]	3/8	N/A	N/A	N/A
George Ralph[3]	5/8	N/A	N/A	N/A
Robert Jeens[4]	5/8	2/3	3/5	5/6
Robert Lambourne[5]	5/8	2/3	3/5	3/6
Bill Ronald	8/8	3/3	5/5	6/6
Richard Stuckes	8/8	3/3	5/5	6/6

1 Roy Burton was appointed to the Nominations Committee on 13 December 2010.

2 Mark Fryer was appointed as Finance Director on 31 August 2010.

3 George Ralph was appointed as Interim Finance Director on 17 December 2009 and resigned on 28 September 2010.

4 Robert Jeens resigned as a Non-Executive Director on 25 August 2010.

5 Robert Lambourne was appointed as a Non-Executive Director on 26 May 2010.

2. Directors continued

(b) Chairman and Group Chief Executive

There are clearly established roles for the Chairman and Group Chief Executive. Revised role statements were formally documented and adopted by the Board on 13 December 2010. These are available on the Company's website at www.dialight.com or from the Company Secretary at the Company's Registered Office.

In addition to other matters, the Chairman has responsibility for the leadership of the Board, ensuring the effectiveness of the Board, organising and planning Board meetings and the effective and timely communication of information to shareholders. The Chairman provides advice, counsel and support to the Group Chief Executive as and when required and maintains open and continual contact with the Non-Executive Directors to allow any issues to be addressed outside of the formal scope of the regular Board meetings.

The Group Chief Executive has delegated responsibility for the management of the Group's day-to-day operations. In addition he is responsible for the preparation and presentation of strategic options for the Group's growth in shareholder value and sets the operating plans and budgets required to deliver the agreed strategy. The Group Chief Executive is also responsible for ensuring that the Group maintains appropriate risk management and control mechanisms.

(c) Board Committees

(i) Nominations Committee

Committee composition

The Committee comprises Harry Tee CBE (Committee Chairman), Robert Lambourne, Bill Ronald, Richard Stuckes and Roy Burton.

With the exception of Robert Lambourne, who was appointed on 26 May 2010, Robert Jeens, who resigned on 25 August 2010 and Roy Burton, who was appointed on 13 December 2010, all members served throughout the year. All members of the Committee, with the exception of Harry Tee and Roy Burton, are considered independent pursuant to the Code.

Committee role and activities during the year

The Committee is responsible for reviewing the size, structure and composition of the Board making recommendations where necessary, giving consideration to the provision of adequate succession planning for senior executives and Directors and making recommendations regarding re-election and re-appointment of Directors. In appropriate cases, recruitment consultants are engaged to assist with any recruitment process.

During the year the Committee managed the selection process in respect of the new Group Finance Director, Mark Fryer, and a new Non-Executive Director, Robert Lambourne, in response to the resignation of Robert Jeens. Both appointments involved the preparation of suitable job descriptions and the design of the selection processes in conjunction with external recruitment consultants. Following this experience the decision was taken by the Committee in December 2010 to appoint the Group Chief Executive as an additional member, as it was felt that his contribution was of real value and importance to its work and decision making.

(ii) Remuneration Committee

Details of the composition, role and activities of the Remuneration Committee during the year can be found in the Directors' remuneration report on pages 39 to 43.

(iii) Audit Committee

Committee composition

The Committee comprises Robert Lambourne (Committee Chairman), Bill Ronald and Richard Stuckes. Robert Jeens served as Committee Chairman until his resignation on 25 August 2010 when he was replaced by Robert Lambourne.

With the exception of Robert Lambourne, who was appointed on 26 May 2010, and Robert Jeens, who resigned on 25 August 2010, all members on the Committee served throughout the year. All members are considered independent pursuant to the Code. The Board considers that the Committee Chairman has recent and relevant financial experience and an understanding of accounting and financial issues relevant to the industries in which the Group operates.

Committee role and activities during the year

The Committee is responsible for reviewing a wide range of matters including the half year and annual accounts before their submission to the Board for approval and monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders. The Committee makes recommendations to the Board on the appointment and responsibilities of external auditors and on their remuneration both for audit and non-audit work, and discusses the nature, scope and results of the audit with external auditors.

The Committee monitors risk management and internal control processes as part of its responsibilities and reviews reports on the effectiveness of the Group's systems of internal financial control, financial reporting and risk management. The Committee also monitors the integrity of internal financial controls and it will assess the scope and the effectiveness of the established systems to identify, assess, manage and monitor financial and non-financial risks. The Committee has oversight of the internal audit process.

2. Directors continued

(c) Board Committees continued

(iii) Audit Committee continued

Committee role and activities during the year continued

The Committee considers the cost effectiveness, independence and objectivity of KPMG Audit Plc (the "Auditors" or "KPMG"), the external auditors, on a regular basis. It also agrees the level of remuneration of the Auditors and reviews the extent of non-audit services provided by KPMG during the year. The scope of the external audit for each business, together with the audit fees were presented by KPMG at the Committee meeting in November 2010. Both the audit scope and related fees were approved at that meeting. The Auditors annually confirm their policies to ensure independence and provide the Committee with a report on their own internal quality control procedures.

Committee meetings are attended by the Auditors at the invitation of the Committee Chairman to ensure full communication of matters relating to the audit. The Committee also meets with the Auditors without the Executive Directors present to discuss the adequacy of controls and any material judgemental areas.

In accordance with the Manual, prior approval of the provision of any non-audit services must be provided by the Group Finance Director, although assignments with proposed fees over £20,000 require the approval of the Committee as a whole. This serves to ensure that other potential providers of the service under discussion have also been adequately considered.

(d) Board balance and independence

The Board currently comprises six Directors including the Chairman, two Executive Directors and three independent Non-Executive Directors. Robert Jeens was the Senior Independent Director until his resignation on 25 August 2010 when Bill Ronald was appointed in his place. Robert Lambourne was appointed to the Board as a Non-Executive Director on 26 May 2010.

An Interim Finance Director, George Ralph, served on the Board from 17 December 2009 and resigned on 28 September 2010. A permanent Group Finance Director, Mark Fryer, was appointed on 31 August 2010. All of the Non-Executive Directors are considered to be independent in accordance with the Code. It is thought that the current balance on the Board ensures that no individual or group dominates the Board's decision making process. The Non-Executive Directors are independent of management and are free from any relationship which could affect the exercise of their independent judgement and therefore meet the criteria set out in the Code. Their biographies appear on pages 28 and 29. These demonstrate a range of experience that brings independent judgement to issues of strategy, performance, resources and standards of conduct which are vital to the future success of the Group. The Board has considered and confirmed that each Non-Executive Director continues to demonstrate that he has sufficient time to devote to the Company's business.

The Non-Executive Directors' knowledge and understanding of the Group is enhanced by visits to Group facilities and through presentations from members of senior management. Directors may take independent professional advice on any matter at the Company's expense if they deem it necessary in order to carry out their responsibilities effectively. No such advice was taken during the year.

The Non-Executive Directors constructively challenge and assist in developing the strategy of the Group and they scrutinise the performance of management against the Group's objectives and strategy.

(e) Information and professional development

The Company Secretary, in accordance with guidance from the Chairman, takes the lead on ensuring that the Board and its Committees receive the necessary information that they require to operate efficiently. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible for advising the Board, through the Chairman, on all matters of governance and best practice. In addition, the Company Secretary ensures that the Directors receive appropriate training as necessary.

(f) Performance evaluation

Evaluation of the Board and its Committees is by way of responses to a questionnaire issued to all members of the Board. Feedback from these questionnaires is then gathered and collated by the Company Secretary for presentation to the Board in order to facilitate discussion. The Chairman is responsible for conducting the performance evaluation of the Group Chief Executive. The Non-Executive Directors, led by the Senior Independent Director, are responsible for evaluating the performance of the Chairman and the Group Chief Executive conducts evaluations of the other Executive Directors and senior management.

The questionnaire issued to Board members covers a range of topics including the Board's remit, its objectives, and its procedures and administration. The findings from the results of this exercise were submitted to the Board in February 2011. A number of issues were identified and appropriate actions agreed for the future.

2. Directors continued

(g) Re-election

The Articles state that at each AGM of the Company, any Director who has been appointed or re-appointed three years or more prior to the meeting, any Director who has been appointed or re-appointed at the third immediately preceding AGM, or at the time has served more than eight years as a Non-Executive Director of the Company (excluding the Chairman) shall retire by rotation and such further Directors must retire by rotation so that in total not less than one-third of the Directors retire by rotation each year. In respect of the 2011 AGM and as previously stated the Board has decided to adopt provision B.7.1 of the New Code so that all Directors will stand for re-election on an annual basis. Therefore, at the 2011 AGM all members of the Board will retire and submit themselves for re-election.

The service contracts of the Executive Directors and the terms and conditions of appointment of the Non-Executive Directors are available for inspection at the Registered Office of the Company during normal business hours on any weekday (except Bank Holidays) and at the AGM.

3. Internal control and risk management

The Board has overall responsibility for the Group's system of internal control and risk management and for reviewing its effectiveness on an annual basis. Such systems can only be designed to manage, and not eliminate, the risk of failure to achieve business objectives. They can provide reasonable, but not absolute, assurance against material misstatement or loss. During 2010 a review of all internal control processes and procedures was begun, in order to ensure that the existing framework continued to provide the necessary level of effectiveness and control for the Group as well as considering any changes to the system where it was felt that additional levels of control were required. The appointment of a new Group Finance Director and Chairman of the Audit Committee in August and May 2010 respectively has meant that as at 31 December 2010 this review had not been fully completed and therefore a number of areas are still under consideration. The expectation remains that the review will be completed in the second quarter of 2011. Recommendations in respect of changes to the internal audit approach and process were considered and approved by the Audit Committee in November 2010.

The following controls are in place which enable the Board to review the effectiveness of the system of internal control:

- **Management structure**
  The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the Board. Each Executive Director has been given responsibility for specific aspects of the Group's affairs. The Executive Directors also meet regularly with the senior management of the operating businesses on a range of issues.

- **Risk assessment**
  Each business maintains a Risk Register. The Risk Register identifies the key risks facing the business, the probability of those risks occurring, the impact should the risk occur and the actions being taken to manage those risks to the approved level. Each business must submit the register to the Board on an annual basis. Businesses perform their respective risk assessments on a continual basis, submitting updates to the Board on a periodic basis when required.

- **The Manual**
  Responsibility levels are communicated throughout the Group as part of the Manual which sets out, inter alia, the general ethos of the Group, delegation of authority and authorisation levels, segregation of duties and other control procedures together with accounting policies and procedures. The Manual is updated as and when required.

- **Quality and integrity of personnel**
  The integrity and competence of personnel is ensured through high recruitment standards and ongoing development and training. High quality personnel are seen as an essential part of the control environment. Ethical standards expected are also communicated through the Manual.

- **Financial information**
  There is a comprehensive strategic planning, budgeting and forecasting system. Each year the Board approves the annual budget and updated business strategic plan. Key risk areas are identified and reported to the Board. Performance is monitored on a monthly basis against budget and the prior year and relevant actions identified.

  The business produces detailed five-year business plans. Plans will include consideration of the financial projections and the evaluation of business alternatives and are presented by the relevant management team to the Board as part of the Strategic/Planning meeting.

  The Board receives and reviews monthly management accounts together with full-year forecasts which are updated monthly. Performance against forecast and budget is closely monitored.

  The Group Chief Executive and the Group Finance Director submit papers to the Board on a monthly basis that focus on key developments, performance and issues in the businesses.

3. Internal control and risk management continued

- **Investment appraisal**
  Capital expenditure and research and development projects are regulated by budgetary process and authorisation levels set out in the Manual. For expenditure beyond specified levels, detailed written proposals have to be submitted to the Board for approval. Reviews are carried out after the acquisition is complete and, for some projects during the acquisition period, to monitor expenditure; major overruns are investigated. Due diligence work is carried out if a business is to be acquired.

- **Audit Committee**
  The Audit Committee monitors, through reports to it by the Group Finance Director, the controls which are in force and any perceived gaps in the control environment. The Audit Committee also considers and determines relevant action in respect of any control issues raised by these reports or the external auditors, as well as considering issues raised in accordance with the Group's whistleblowing policy.

- **Internal audit**
  The size of the Company and complexity of the business have meant that the Group does not have an in-house internal audit function, and in prior years has engaged a firm of independent auditors to perform internal audit reviews at each of the main operating businesses. The review of the Group's internal audit arrangements concluded that, whilst Dialight remained too small to justify its own internal audit department, it was recommended that a series of peer group financial control reviews be implemented with effect from 2011. These would include quarterly assessments conducted by the Group Accountant and Finance Director or controller of the opposite operating business under review. The Audit Committee will agree the annual scope of these reviews in advance and the reported quarterly work output will be reviewed by the external auditors. This would be supplemented with additional procedures to be performed as the Audit Committee deemed necessary.

- **Insurance**
  The Group maintains insurance cover to insure all major risk areas based on the scale of the risk and availability of cover in the external market.

- **Legal and compliance**
  Reports are presented to the Board on any material legal or compliance issues that may impact the Group.

- **Compliance with controls**
  A process of control risk self-assessment is used in the Group where senior managers are required to detail and certify controls in operation to ensure the control environment in their business area is appropriate. They also confirm monthly, in writing, that risk management processes and appropriate controls are in place and are operating effectively.

The Board confirms that it has conducted a review of the system of internal controls in respect of the year ended 31 December 2010 covering all material controls, including financial, operational and compliance controls and risk management systems.

4. Relations with shareholders

Communications with shareholders are given high priority. The Chairman of the Board has overall responsibility for ensuring that there is effective communication with investors including being aware of the views of major shareholders on matters such as corporate governance.

On a day-to-day basis the Board's primary contact with major shareholders is via the Group Chief Executive and Group Finance Director, who have regular dialogue with individual institutional shareholders and deliver presentations to analysts after the full and half year results. Copies of the shareholder presentations are made accessible on the Company's website.

The Senior Independent Director and other members of the Board are also available to meet major investors on request.

The AGM presents an additional opportunity to communicate with private and institutional investors. The Chairman aims to ensure that the Chairmen of the Audit, Remuneration and Nominations Committees are available at these meetings to answer questions. Details of resolutions to be proposed at the AGM on 20 April 2011 can be found in the Notice on pages 85 to 92.

The Directors present the Remuneration report for the year ended 31 December 2010. The report contains all of the information that is required by the Companies Act 2006, Schedule 8 of the Large & Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, and the Listing Rules of the UK Listing Authority ("UKLA") and describes how the Company has applied the principles of the Code with regard to remuneration (together the "Regulations").

These Regulations require the Auditors to report on the audited information within the report and to state if this section of the report has been properly prepared in accordance with the Regulations. This report has been divided into separate sections for unaudited and audited information.

This report is put to shareholders at the forthcoming AGM for an advisory vote. This is in respect of remuneration policy and overall remuneration packages and will not be specific to individual levels of remuneration.

Part 1: Unaudited information

1. Remuneration Committee

The Board is responsible for the Group's remuneration policy, but has delegated the determination and review of remuneration packages for the Executive Directors and certain other senior executives to the Remuneration Committee. The Committee is also responsible for recommending and monitoring the structure of the remuneration of the Group's senior management, as defined by the Board.

The Remuneration Committee is currently chaired by Bill Ronald with Robert Lambourne and Richard Stuckes serving as Committee members. Robert Jeens served on the Committee until his resignation on 25 August 2010. With the exception of Robert Lambourne, who was appointed on 26 May 2010, and Robert Jeens, all members served throughout the year and are considered independent in accordance with the Code. Details of the number of meetings held during the year as well as details of attendance at these meetings can be found in the Corporate governance statement on page 34.

The Committee is responsible for making recommendations to the Board, within agreed terms of reference, on the Company's framework of executive remuneration. The Committee determines the contract terms, remuneration and other benefits for each of the Executive Directors, including performance related bonus schemes, long-term incentives, pension rights and compensation payments.

The Board, through the Chairman, Group Chief Executive and Group Finance Director, determines the remuneration of the Non-Executive Directors.

A copy of the terms of reference for the Remuneration Committee can be found on the Company's website at www.dialight.com or on request from the Company Secretary at the Registered Office. The Committee has access to the advice of the Group Chief Executive, the Chairman, the Group HR Director and the Company Secretary (none of whom participate in any discussion concerning their own remuneration) and external advisers as required. During the year ended 31 December 2010 the Committee consulted Kepler Associates who provided advice regarding executive remuneration benchmarking, annual bonus plans and long-term incentive design and Clifford Chance LLP, who advised on the operation of the Group's PSP. Pett Franklin & Co LLP ("Pett Franklin") provided advice and assistance in regard to the drafting of the rules of the proposed new bonus arrangements discussed below. Kepler Associates and Pett Franklin provided no other services to the Company. Clifford Chance LLP also provided general corporate legal advice to the Company.

2. Remuneration policy

The objective of the remuneration policy is to provide packages that are designed to attract, retain and motivate people of high quality and experience.

Remuneration packages currently consist of a basic annual salary, short and long-term incentive schemes, pension arrangements, car allowances or cash alternatives and health care benefits.

The Committee believes that the base salary and benefits for the Executive Directors should represent a fair return for employment but that the maximum total potential remuneration may only be achieved in circumstances where challenging objectives have been met that contribute to Dialight's overall profitability and performance. Performance related elements, including bonuses and the PSP form a significant proportion of the total remuneration of the Executive Directors aligning their interests with those of the shareholders and providing incentives for performance. A significant part of the Executive Directors' total package is therefore considered to be at risk.

The Remuneration Committee has reviewed the structure of remuneration for the Executive Directors and certain senior executives in the Group and confirms the Committee's policy, as outlined above, has been applied in a consistent way.

Part 1: Unaudited information continued

3. Executive Directors' remuneration

(i) Basic salary

The basic salary of the Group Chief Executive was reviewed at a meeting of the Committee in December 2010. Salaries are reviewed on an annual basis and any changes take effect from 1 January each year. As Roy Burton is based in the US his salary is paid in US Dollars. An Interim Finance Director, George Ralph, was appointed on 17 December 2009. Mr Ralph was paid fees pursuant to a consultancy agreement, details of which can be found on page 42. A permanent Group Finance Director, Mark Fryer, was appointed on 31 August 2010. The basic salary of the Group Finance Director was reviewed at a meeting of the Committee in December 2010. Base salary is determined by reference to relevant market data and the individual's experience, responsibilities and performance. Salaries (as well as total remuneration) were benchmarked against a mixture of US and UK companies of a similar size and operating in similar sectors. Given the significant growth of the company over the last two years, adjustments were felt to be appropriate in order to maintain the competitiveness of total remuneration. In determining any appropriate salary increases for directors, the Committee also takes into account the current pay and employment conditions throughout the Group. Details of current salaries can be found on page 42.

(ii) Management bonus 2010

The maximum bonus payable to the Group Chief Executive and the Group Finance Director for the year ended 31 December 2010 was 100% and 75% of salary respectively. As Mark Fryer joined the Company during the 2010 bonus year he was only eligible to receive 50% of the total available bonus payable, had he been employed for the full year. The bonus for 2010 was calculated by reference to measures that were determined at the start of the financial year by the Committee. These assessed the Group's performance against specified targets relating to the operational performance of the Group and which aligned Executives' interests with those of shareholders as follows:

- 75% of available bonus would be paid based on the achievement of a predetermined Group operating profit for the year;
- 25% of available bonus would be paid based on the delivery of an agreed level of stock turns; and
- no bonus would be paid under the second element if a predetermined operating profit target had not been achieved.

Following a review of the bonus measures during the year ended 31 December 2010, the Committee determined that 100% of the operating profit target and 100% of the stock turns target had been achieved. This resulted in a total bonus payable equivalent to 100% of the Executive Directors' maximum potential bonus. Details of these payments can be found in the emoluments table on page 42.

The Committee is proposing the introduction of a new bonus scheme for the financial year beginning 1 January 2011. This will see bonus payments linked to growth in Group operating profit. Opportunities will be increased (to 150% of salary for the Group Chief Executive and 100% for the Group Finance Director) to reward performance above and beyond that currently rewarded, but any bonus earned above the current maximum opportunities will be deferred into shares, 50% of which will vest after two years and 50% after three years, subject to continued employment. These changes are intended to reward sustainable profit growth, provide a better link to the long-term business strategy and help to support retention, encourage share ownership, and strengthen alignment with shareholders through the bonus deferral. Given the limited liquidity in Dialight shares, the Committee would like the flexibility to settle the deferred bonus using new issue shares, and hence is seeking approval at the AGM for the Dialight plc Annual Performance Bonus Plan. Further details of this scheme can be found in the Notice on page 85.

(iii) PSP

The PSP was approved by the shareholders of the Company at an EGM held on 29 September 2005. Executive Directors and other members of senior management, as approved by the Committee, are eligible to receive awards, historically in the form of conditional share awards, which are released after three years subject to the satisfaction of performance conditions determined by the Remuneration Committee at the time of grant.

Awards are normally made in the six-week period following the announcement by the Company of its results for any period. The number of shares which are the subject of the award will be calculated by dividing the value of the award by the average price of the Company's ordinary shares on the London Stock Exchange over the 30 trading days prior to the date of the award. The initial value of an award granted in any one financial year will be determined by the Committee. Awards will not normally exceed 100% of an individual's basic salary.

Vesting of awards is currently based on relative total shareholder return ("TSR"), as the Committee believes TSR to be an appropriate measure of long-term Group success, which provides strong alignment between the interests of shareholders and executives. TSR performance is measured relative to two indices (the FTSE All Share Electronic/Electrical Equipment Index and the FTSE SmallCap Index), each index having equal weighting. TSR is measured over a three-year period with the measurement period beginning on the first day of the financial year in which the award is made. If the percentage increase in the Company's TSR is equal to the percentage increase in the TSR of the comparator index, 25% of the ordinary shares subject to an award will vest, rising, on a straight-line basis, to 100% vesting if the percentage increase in the Company's TSR is equal to the increase in the TSR of the index plus 15% per annum. No ordinary shares will vest if the percentage increase in the Company's TSR is below the percentage increase in the TSR of the comparator index.

In the event of a change of control of the Group, the Remuneration Committee may, at its discretion, release the value of the ordinary shares early. In determining the value of the benefit, the Remuneration Committee may take into account the length of time between the start of the measurement period and the triggering event as well as the level of performance up to the date of this event.

Part 1: Unaudited information continued

3. Executive Directors' remuneration continued

(iv) Additional benefits

The Group Chief Executive received life assurance during the year. Following his appointment Mark Fryer received taxable benefits including a car allowance and medical insurance for both himself and his immediate family as well as life assurance.

(v) Service contracts

Details of the service contracts of those individuals that served as Directors during the year can be found below:

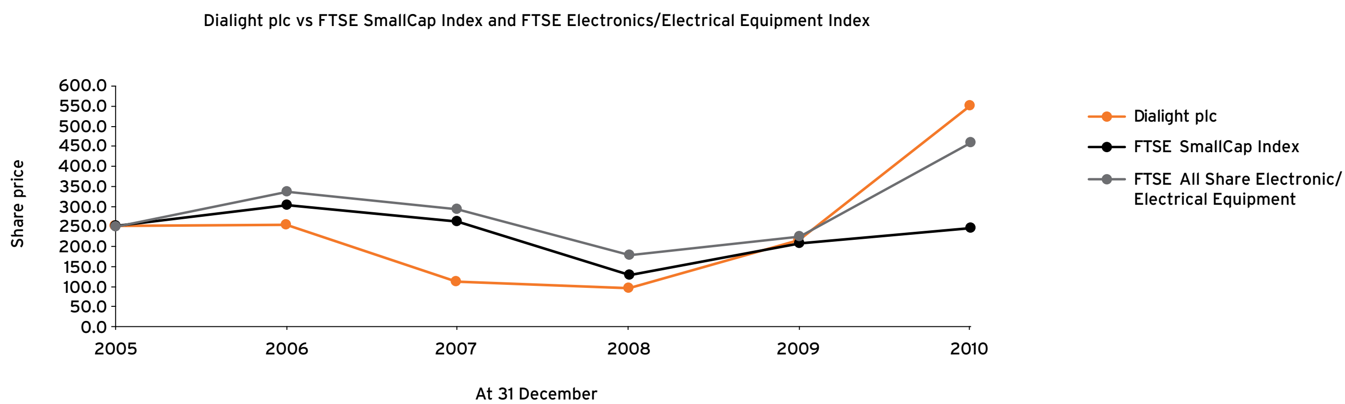
Name	Contract date	Notice period	Contractual early termination payment
Roy Burton	1 October 2005	12 months (Company) 12 months (Executive)	No provisions exceeding 12 months' emoluments
Mark Fryer[1]	5 August 2010	12 months (Company) 6 months (Executive)	No provisions exceeding 12 months' emoluments
George Ralph[2]	6 January 2010	1 month on either side	No provisions

1 Mark Fryer was appointed on 31 August 2010.

2 George Ralph was appointed on 17 December 2009 and resigned on 28 September 2010.

(vi) Performance review

The graph below shows the five-year TSR of the Company, compared with the TSR over the same period for the FTSE SmallCap Index and the FTSE All Share Electronic/Electrical Equipment Index. These were selected as they were considered to be a broad representation of Dialight's peer group in terms of its size and industry sector.



4. Non-Executive Directors' remuneration

Fees for the Non-Executive Directors are determined by the Chairman, the Group Chief Executive and the Group Finance Director. The Non-Executive Directors do not take part in these discussions. The Non-Executive Directors' fees are subject to review on an annual basis and were considered on 13 December 2010. As a result of this meeting it was agreed that there would be an increase with effect from 1 January 2011, the details of which can be found in the emoluments table on page 42.

The Non-Executive Directors do not participate in the management bonus or the PSP and they are not eligible for pension scheme membership.

The Non-Executive Directors have standard letters of appointment. Non-Executive Directors' letters of appointment are available for inspection at the Company's Registered Office and will be made available at the AGM.

Part 1: Unaudited information continued

5. External appointments

No Executive Directors currently hold any external directorships of listed companies.

Part 2: Audited information

Table 1 – Directors' emoluments

The remuneration of the Directors is set out below:

	Salary/fees '000	Bonus '000	Pensions[1] '000	Benefits '000	**2010 '000**	2009 '000
Executive Directors						
Roy Burton[2]	US$469	US$469	US$42	US$8	**US$988**	£526
Mark Fryer[3]	£64	£71	£7	£4	**£146**	–
Non-Executive Directors[4]						
Harry Tee CBE[5]	£75	–	–	–	**£75**	£75
Bill Ronald[6]	£30	–	–	–	**£30**	£19
Robert Lambourne[6]	£18	–	–	–	**£18**	–
Richard Stuckes	£25	–	–	–	**£25**	£14
Past Directors						
George Ralph[7]	£123	£15	£10	–	**£148**	£8
Robert Jeens[8]	£20	–	–	–	**£20**	£30

1 Figures represent Company contributions to defined contribution arrangements.

2 Roy Burton received a salary increase with effect from 1 January. His current salary is $520,000.

3 Mark Fryer was appointed on 31 August 2010. He received a salary increase with effect from 1 January 2011. His salary is now £219,000.

4 The Non-Executive Directors' basic fees were increased to £30,000 with effect from 1 January 2011. There was no change to the additional fee payable to the Chairmen of the Audit and Remuneration Committees.

5 Harry Tee CBE received an increase in his fees as Chairman to £100,000 per annum with effect from 1 January 2011.

6 Robert Lambourne (appointed on 26 May 2010) and Bill Ronald receive an additional £5,000 per annum as Chairmen of the Audit and Remuneration Committees respectively.

7 George Ralph was appointed on 17 December 2009 and resigned on 28 September 2010. He received a consultancy fee of £12,500 per month. Mr Ralph received a retention bonus of £25,000, £10,000 of which was paid directly into his personal pension arrangement.

8 Robert Jeens resigned on 25 August 2010. Mr Jeens received additional payment for chairing the Audit Committee prior to the appointment of Mr Lambourne. This was £5,000 per annum.

Table 2 – Performance Share Plan ("PSP")

Awards under the PSP:

	Date of award	**PSP shares held at 1 January 2010**	PSP shares awarded in year	PSP shares vested in year	PSP shares lapsed in year	**PSP shares held at 31 December 2010**	Earliest vesting date	**Value at 31 December 2010[3] £**
Roy Burton	5 April 2007[1]	**100,977**	–	58,566	42,411	**–**	5 April 2010	**–**
	9 April 2008[2]	**143,360**	–	–	–	**143,360**	9 April 2011	**736,870**
	30 April 2009	**160,926***	–	–	–	**160,926***	30 April 2012	**827,160**
	26 May 2010[4]	**–**	127,582	–	–	**127,582**	26 May 2013	**655,771**
Total	**–**	**405,263***	**127,582**	**58,566**	**42,411**	**431,868**	**–**	**2,219,801**
Mark Fryer	2 September 2010[5]	**–**	37,822	–	–	**37,822**	2 September 2013	**194,405**
Total	**–**	**–**	**37,822**	**–**	**–**	**37,822**	**–**	**194,405**

* Restated.

1 On 26 May 2010 Roy Burton received 58,566 shares awarded under the PSP on 5 April 2007. Assessment of the performance conditions produced a vesting of 58% of the original award. Roy Burton sold 23,221 of these shares to meet the tax liabilities and retained 35,345 shares. The market price on the date of vesting was 278.75 pence per share.

2 Performance conditions in respect of awards granted on 9 April 2008 indicate that 100% of the total award will vest. Vesting and release of these awards is subject to decision of the Remuneration Committee.

3 The value of the awards under the PSP shows the number of awards held multiplied by the market price of the Company's shares at 31 December 2010. It has been assumed that the maximum number of awards vested in accordance with the performance conditions set out on page 40. On 31 December 2010 the share price was 514 pence per share.

4 The number of shares awarded on 26 May 2010 were the share equivalents of 100% of the base salary of the Group Chief Executive, based on the average of the mid-market closing values of the Company's shares for the 30 dealing days ending on 25 May 2010 of 256 pence.

5 The number of shares awarded on 2 September 2010 were the share equivalent of 75% of the base salary of the Group Finance Director, based on the average of the mid-market closing values of the Company's shares for the 30 dealing days ending on 1 September 2010 of 376 pence.

Part 2: Audited information continued

Table 3 – Directors' interests in shares

The interests of the Directors and their connected persons in the shares of the Company as at 31 December 2010 are set out below:

	31 December 2010	31 December 2009
Executive Directors		
Roy Burton[1]	**89,037**	43,692
Mark Fryer	**–**	–
Non-Executive Directors		
Harry Tee CBE[2]	**1,453,357**	1,453,357
Bill Ronald[3]	**10,000**	–
Robert Lambourne[4]	**1,000**	–
Richard Stuckes[5]	**20,678**	10,440
Total	**1,574,072**	1,507,489[6]

1 Some of these shares are held through nominees. Roy Burton received 35,345 ordinary shares on 26 May 2010 following the vesting of the awards granted under the PSP in April 2007. He also purchased 10,000 ordinary shares on 17 May 2010 at a price of 253 pence per share.

2 Some of these shares are held through nominees.

3 Bill Ronald purchased 10,000 ordinary shares on 14 May 2010 at a price of 264 pence per share.

4 Robert Lambourne was appointed on 26 May 2010. He purchased 1,000 ordinary shares on 27 July 2010 at a price of 347.4 pence per share.

5 Richard Stuckes purchased 10,238 ordinary shares on 27 July 2010 at a price of 340 pence per share.

6 The total for 2009 differs from that previously reported following the removal of Robert Jeens from the table. Robert Jeens resigned on 25 August 2010.

There has been no change in Directors' holdings since 31 December 2010.

By order of the Board

Bill Ronald
Chairman of the Remuneration Committee
9 March 2011

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' report, Directors' remuneration report and Corporate governance statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report
We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

For and on behalf of the Board of Dialight plc

Roy Burton
Group Chief Executive
9 March 2011

Mark Fryer
Group Finance Director

We have audited the financial statements of Dialight plc for the year ended 31 December 2010 set out on pages 47 to 84. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors
As explained more fully in the Directors' responsibilities statement set out on page 44, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate governance statement set out on pages 34 to 38 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 33, in relation to going concern;
- the part of the Corporate governance statement on pages 34 to 38 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to Shareholders by the Board on Directors' remuneration.

G.A. Watts
Senior Statutory Auditor
for and on behalf of KPMG Audit Plc
Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
9 March 2011

Consolidated income statement
for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Continuing operations			
Revenue	4	**99,183**	77,304
Cost of sales		**(71,897)**	(58,621)
Gross profit		**27,286**	18,683
Distribution costs		**(7,212)**	(6,078)
Administrative expenses		**(8,891)**	(7,150)
Results from operating activities	4,8	**11,183**	5,455
Financial income	6	**1,937**	1,711
Financial expense	6	**(1,821)**	(1,884)
Net financing income/(expense)	6	**116**	(173)
Profit before income tax		**11,299**	5,282
Income tax expense	7	**(3,846)**	(1,990)
Profit from continuing operations		**7,453**	3,292
Prior periods discontinued operations			
Adjustment to profit from businesses sold in prior years	9	**–**	2,140
Profit for the year		**7,453**	5,432
Earnings per share			
Basic	18	**23.8p**	17.5p
Diluted	18	**23.2p**	17.1p
Earnings per share – continuing operations			
Basic	18	**23.8p**	10.6p
Diluted	18	**23.2p**	10.4p

Consolidated statement of comprehensive income
for the year ended 31 December 2010

	2010 £'000	2009 £'000
Other comprehensive income		
Exchange difference on translation of foreign operations	**118**	(2,398)
Income tax on exchange difference on translation of foreign operations	**201**	–
Actuarial (losses)/gains on defined benefit pension schemes	**(1,810)**	1,844
Income tax on actuarial (losses)/gains on defined benefit pension schemes	**631**	(663)
Other comprehensive income for the period, net of tax	**(860)**	(1,217)
Profit for the year	**7,453**	5,432
Total comprehensive income for the period attributable to equity holders of the Company	**6,593**	4,215

Financial statements

Consolidated statement of changes in equity

for the year ended 31 December 2010

	Share capital £'000	Merger reserve £'000	Translation reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	**Total £'000**
At 1 January 2009	591	546	5,486	2,232	28,649	**37,504**
Profit	–	–	–	–	5,432	**5,432**
Other comprehensive income:						
Foreign exchange translation differences	–	–	(2,398)	–	–	**(2,398)**
Actuarial gains on defined benefit pension plans, net of taxes	–	–	–	–	1,181	**1,181**
Total other comprehensive income	–	–	(2,398)	–	1,181	**(1,217)**
Total comprehensive income for the year	**–**	**–**	**(2,398)**	**–**	**6,613**	**4,215**
Transactions with owners, recorded directly in equity:						
Dividends	–	–	–	–	(1,937)	**(1,937)**
Share-based payments, net of tax	–	–	–	–	322	**322**
Total contributions by and distributions to owners	**–**	**–**	**–**	**–**	**(1,615)**	**(1,615)**
Balance at 31 December 2009	**591**	**546**	**3,088**	**2,232**	**33,647**	**40,104**
Balance at 1 January 2010	591	546	3,088	2,232	33,647	**40,104**
Profit	–	–	–	–	7,453	**7,453**
Other comprehensive income:						
Foreign exchange translation differences, net of taxes	–	–	319	–	–	**319**
Actuarial losses on defined benefit pension plans, net of taxes	–	–	–	–	(1,179)	**(1,179)**
Total other comprehensive income	–	–	319	–	(1,179)	**(860)**
Total comprehensive income for the year	**–**	**–**	**319**	**–**	**6,274**	**6,593**
Transactions with owners, recorded directly in equity:						
Issue of shares on acquisition	6	903	–	–	–	**909**
Share-based payments, net of tax	–	–	–	–	785	**785**
Dividends	–	–	–	–	(2,228)	**(2,228)**
Unpaid dividends returned from shareholders	–	–	–	–	6	**6**
Total contributions by and distributions to owners	**6**	**903**	**–**	**–**	**(1,437)**	**(528)**
Balance at 31 December 2010	**597**	**1,449**	**3,407**	**2,232**	**38,484**	**46,169**

At 31 December 2010 the number of shares held by the Group through the Dialight Employees' Share Ownership Plan Trust ("ESOT") trust was 159,621 (2009: 256,000). The market value of these shares at 31 December 2010 is £820,452 (2009: £560,000).

Consolidated statement of total financial position
as at 31 December 2010

	Note	2010 £'000	2009 £'000
Assets			
Property, plant and equipment	10	**8,218**	7,248
Intangible assets	11	**10,488**	8,589
Deferred tax assets	13	**3,162**	1,914
Total non-current assets		**21,868**	17,751
Inventories	14	**9,187**	9,194
Trade and other receivables	15	**18,856**	18,186
Cash and cash equivalents	16	**10,359**	9,092
Total current assets		**38,402**	36,472
Total assets		**60,270**	54,223
Liabilities			
Trade and other payables	21	**(11,265)**	(11,015)
Provisions	20	**(694)**	–
Tax liabilities		**(239)**	(1,083)
Total current liabilities		**(12,198)**	(12,098)
Employee benefits	19	**(1,441)**	(948)
Provisions	20	**(462)**	(1,073)
Total non-current liabilities		**(1,903)**	(2,021)
Total liabilities		**(14,101)**	(14,119)
Net assets		**46,169**	40,104
Equity			
Issued share capital	17	**597**	591
Merger reserve	17	**1,449**	546
Other reserves		**5,639**	5,320
Retained earnings		**38,484**	33,647
Total equity attributable to equity shareholders of the parent company		**46,169**	40,104

These financial statements were approved by the Board of Directors on 9 March 2011 and were signed on its behalf by:

Roy Burton
Group Chief Executive

Mark Fryer
Group Finance Director

Financial statements

Consolidated statement of cash flows

for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Operating activities			
Profit for the year		**7,453**	5,432
Adjustments for:			
Financial income		**(1,937)**	(1,711)
Financial expense		**1,821**	1,884
Income tax expense		**3,846**	1,990
Share-based payments		**312**	197
Adjustment to profit on sale of businesses in prior years		**–**	(2,140)
Depreciation of property, plant and equipment		**2,012**	1,525
Amortisation of intangible assets		**1,588**	1,143
Operating cash flow before movements in working capital		**15,095**	8,320
Decrease in inventories		**847**	2,882
Increase in trade and other receivables		**(233)**	(240)
(Decrease)/increase in trade and other payables		**(424)**	1,342
Pension contributions in excess of the income statement		**(1,269)**	(1,305)
Cash generated from operations		**14,016**	10,999
Income taxes paid		**(4,657)**	(1,581)
Interest paid		**(25)**	–
Net cash generated from operating activities		**9,334**	9,418
Investing activities			
Acquisition of subsidiary, net of cash acquired		**(2,074)**	–
Interest received		**23**	12
Capital expenditure		**(2,767)**	(1,576)
Capitalised expenditure on development		**(1,208)**	(966)
Sale of tangible fixed assets		**12**	22
Net cash used in investing activities		**(6,014)**	(2,508)
Financing activities			
Dividends returned		**6**	–
Dividends paid		**(2,228)**	(1,937)
Net cash used in financing activities		**(2,222)**	(1,937)
Net increase in cash and cash equivalents		**1,098**	4,973
Cash and cash equivalents at beginning of the year		**9,092**	4,145
Effect of exchange rates on cash held		**169**	(26)
Cash and cash equivalents at end of year	16	**10,359**	9,092

1. Reporting entity

Dialight plc is a company domiciled in England. The address of the Company's registered office is Exning Road, Newmarket, Suffolk CB8 0AX. The consolidated financial statements of the Company for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group").

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to present its parent company financial statements in accordance with UK GAAP.

(b) Consolidated basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are carried at fair value. The Group's business activities, together with the factors that are likely to affect its future development, performance and position are set out in the Business review on pages 8 to 27. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 20 to 23. The financial statements include the statements covering the Group's objectives, policies and processes for managing its capital; management of its financial risk objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources and, as a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

The Directors therefore have a reasonable expectation that the Company has sufficient resources to continue in existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) Use of estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual amounts may differ from these estimates. See also note 28.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Impairment of goodwill and intangible assets (see note 11)
The impairment analysis of goodwill and intangible assets is based upon the estimate of future discounted cash flows. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in discount rates could lead to impairments.

Defined benefit pension plans (see note 19)
The valuation of the defined benefit plans is based upon actuarial assumptions related to the measurement of pension liabilities and assets. If the relevant factors developed materially differently from the assumptions used this could have a significant impact on our defined benefit obligation.

Warranty (see note 20)
The warranty provision is estimated requiring management to make estimates and assumptions with respect to values and conditions which cannot be known with certainty at the time the financial statements are prepared. Estimates are evaluated based on historical results and experience together with any known factors at the time of estimate. If the relevant rate of product returns differed materially from the estimates this may have a material impact on the level of provision required.

(d) Changes in accounting policies

Accounting for business combinations
From 1 January 2010 the Group has applied IFRS 3 "Business Combinations (2008)" in accounting for business combinations. The change in accounting policy has been applied prospectively and has no material impact on earnings per share.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

2. Basis of preparation continued

(d) Changes in accounting policies continued

Accounting for business combinations continued

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Acquisitions between 1 January 2004 and 1 January 2010

For acquisitions between 1 January 2004 and 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the acquisition.

Acquisitions prior to 1 January 2004 (date of transition to IFRSs)

As part of its transition to IFRSs, the Group elected to restate only those business combinations that occurred on or after 1 January 2003. In respect of acquisitions prior to 1 January 2003, goodwill represents the amount recognised under the Group's previous accounting framework, UK GAAP.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities, except as explained in note 2(d) which addresses changes in accounting polices.

(a) Basis of consolidation

The Group has changed its accounting policy with respect to accounting for business combinations. See note 2(d) for further details.

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency translation

For the purpose of presenting consolidated financial statements the assets and liabilities of the Group's overseas operations including goodwill and fair value adjustments arising on consolidation are translated using exchange rates prevailing on the balance sheet date.

Income and expense items of overseas operations are translated at average exchange rates for the period.

Since the transition date, resulting exchange differences are recognised as a separate component of equity within the Group's translation reserve. Such translation differences are recognised in the profit or loss in the period in which the foreign operation is disposed of. Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transaction.

Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Derivative financial instruments

Derivative financial instruments are recorded initially at fair value and are re-measured to fair value at subsequent reporting dates.

The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. The fair value of derivatives at 31 December 2010 is £nil (2009: £nil).

(d) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation.

(e) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

3. Significant accounting policies continued

(f) Depreciation and amortisation

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives are as follows:

Buildings	16–50 years
Plant and equipment	3–10 years
Tooling	2–4 years
Fixtures and fittings	5–10 years

Amortisation

Amortisation is recognised in profit and loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives are as follows:

Patents and trademarks	1–4 years
Development costs	3–5 years

(g) Goodwill

Goodwill that arises upon acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 2(d).

Subsequent measurement

After initial recognition, goodwill is measured at cost less any accumulated impairment losses until disposal or termination of the previously acquired business when the profit or loss on disposal or termination will be calculated after charging the gross amount at current exchange rates of any such goodwill through the income statement. Goodwill is allocated to the cash-generating units and is tested at least annually for impairment. An impairment loss recognised for goodwill is not reversed in a subsequent period.

(h) Research and development costs

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes direct cost of material, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

(i) Impairment

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. Significant accounting policies continued

(i) Impairment continued

Any impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

A financial asset, in particular the carrying value of trade receivables, is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Any impairment losses are recognised through the income statement.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their location and condition at the balance sheet date. Items are valued using the first in, first out method. When inventories are used, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. Provision for write-down to net realisable value and losses of inventories are recognised as an expense in the period in which the write-down or loss occurs.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(l) Share capital

(i) Dividends are recognised as a liability in the period in which they are declared.

(ii) When share capital recognised as equity is repurchased by the ESOT, the amount of the consideration paid is recognised as a deduction from equity.

(m) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement when they are due.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned for their service in the current and prior periods; that benefit is discounted to determine its present value and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the Group's obligations. The calculation is performed by an independent qualified actuary using the projected unit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the period until benefits become vested. To the extent that the benefits vest immediately, the expenses are recognised immediately in the income statement.

All actuarial gains and losses are recognised in the period they occur directly into equity through the statement of comprehensive income.

(iii) Share-based payment transactions

The PSP allows Group employees to acquire shares of the Company. The fair value of the award granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at the grant date and spread over the performance period during which the employees become unconditionally entitled to the award.

The fair value of the grants is measured using the Monte Carlo model taking into account the terms and conditions upon which the grants were made. The amount recognised as an expense is only adjusted to reflect forfeitures resulting from failures to meet non-market conditions.

3. Significant accounting policies continued

(n) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Warranties

A provision for warranties is recognised when the underlying products are sold. The provision is based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

(o) Trade and other receivables

Trade and other receivables are stated at their amortised cost less any impairment losses. The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists the assets' recoverable amounts are estimated being the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of the money and risks specific to the asset. Receivables with a short duration are not discounted.

An impairment loss in respect of trade and other receivables is reversed if there has been a change in the estimates used to determine the recoverable amount.

(p) Trade and other payables

Trade and other payables are stated at amortised cost.

(q) Revenue recognition

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyers. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates and product returns.

(r) Expenses

(i) Operating lease payments

Payments under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(ii) Net financing costs

Net financing costs comprise interest receivable, interest payable, borrowings, interest on pension assets and liabilities, foreign exchange gains and losses and gains and losses on hedging instruments that are recognised in the income statement.

(s) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated using tax rates that are enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to profit and loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

3. Significant accounting policies continued

(t) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the Group's Chief Executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets including goodwill.

(u) New endorsed standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2010 and have not been applied in preparing these consolidated financial statements. None of these are expected to have significant effect on the consolidated financial statements of the Group.

(v) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Plant and equipment

The fair value of plant and equipment recognised as a result of a business combination is based on market values. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

Intangible assets

The fair value of patents and trademarks acquired in business combinations is based on the discounted cash flows expected to be derived from the use or eventual sale of the assets.

Inventory

The fair value of inventory acquired in a business combination is based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale and a reasonable profit margin based on the effort required to complete and sell the inventory.

Trade and other receivables and payables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. For receivables and payables with a life of less than one year, the notional amount is deemed to reflect the fair value.

Share-based payments transactions

The fair value of employee stock options is measured using the Monte Carlo model. The fair value is measured at the grant date and spread over the performance period during which the employees become unconditionally entitled to the award. The Monte Carlo model takes into account the terms and conditions upon which the grants were made.

Derivatives

Forward exchange contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

Cash and cash equivalents

The carrying amount reported in the balance sheet approximates to fair value.

Contingent consideration

The fair value of contingent consideration is calculated using the income approach based on the expected amounts and their associated probabilities (i.e. probability – weighted).

4. Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic units offer different products. They require different technology and marketing strategies. For each of the units the Group Chief Executive reviews internal reports monthly. The following summary describes the operations in each of the Group's reportable segments.

The Group comprises the following business segments:

- Signals/Illumination which addresses the increasing demands for energy-efficient lighting solutions through the use of high brightness LEDs and utilisation of a number of associated technologies. Areas of business include traffic and rail signals, obstruction lights and solid state lighting products;
- LED Indication Components whose sales are primarily to electronics OEMs for status indication; and
- Electromagnetic Components which supplies SMART meter disconnect switches which are used by utility companies to manage remotely electrical supply to residential and business premises.

There is no inter-segment revenue.

All revenue relates to the sale of goods. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated expenses comprise corporate costs including share-based payments and unallocated assets and liabilities comprise cash, borrowings, taxation and pension fund liabilities.

The Group does not rely on any single major customer.

Reportable segments

2010	**Electromagnetic Components £'000**	**LED Indication Components £'000**	**Signals/ Illumination £'000**	**Total £'000**
Revenue	**14,645**	**23,450**	**61,088**	**99,183**
Contribution	**2,516**	**12,406**	**25,753**	**40,675**
Overhead costs	**(2,443)**	**(6,809)**	**(17,079)**	**(26,331)**
Segment results	**73**	**5,597**	**8,674**	**14,344**
Unallocated expenses				**(3,161)**
Operating profit				**11,183**
Net financing income				**116**
Profit before tax				**11,299**
Income tax expense				**(3,846)**
Profit from continuing operations				**7,453**

2009	Electromagnetic Components £'000	LED Indication Components £'000	Signals/ Illumination £'000	Total £'000
Revenue	13,333	17,576	46,395	77,304
Contribution	3,167	9,257	17,979	30,403
Overhead costs	(2,445)	(6,102)	(14,707)	(23,254)
Segment results	722	3,155	3,272	7,149
Unallocated expenses				(1,694)
Operating profit				5,455
Net financing expense				(173)
Profit before tax				5,282
Income tax expense				(1,990)
Profit from continuing operations				3,292

4. Operating segments continued

Reportable segments continued

Other information	Electromagnetic Components £'000	LED Indication Components £'000	Signals/ Illumination £'000	2010 Total £'000
Capital Additions*	**550**	**459**	**2,851**	**3,860**
Depreciation and amortisation	**(395)**	**(627)**	**(2,374)**	**(3,396)**

Other information	Electromagnetic Components £'000	LED Indication Components £'000	Signals/ Illumination £'000	2009 Total £'000
Capital Additions*	402	208	1,822	2,432
Depreciation and amortisation	(380)	(527)	(1,746)	(2,653)

* Capital Additions include property, plant and equipment and development costs.

Not included above are central asset additions of £115,000 (2009: £1,000) and depreciation and amortisation of £15,000 (2009: £15,000) not allocated to a segment.

Balance sheet – assets	Electromagnetic Components £'000	LED Indication Components £'000	Signals/ Illumination £'000	2010 Total £'000
Segment assets	**10,795**	**8,379**	**30,011**	**49,185**
Unallocated assets				**11,085**
Consolidated total assets				**60,270**

Balance sheet – liabilities	Electromagnetic Components £'000	LED Indication Components £'000	Signals/ Illumination £'000	2010 Total £'000
Segment liabilities	**(3,716)**	**(1,832)**	**(6,276)**	**(11,824)**
Unallocated liabilities				**(2,277)**
Consolidated liabilities				**(14,101)**

Balance sheet – assets	Electromagnetic Components £'000	LED Indication Components £'000	Signals/ Illumination £'000	2009 Total £'000
Segment assets	9,089	9,135	27,235	45,459
Unallocated assets				8,764
Consolidated total assets				54,223

Balance sheet – liabilities	Electromagnetic Components £'000	LED Indication Components £'000	Signals/ Illumination £'000	2009 Total £'000
Segment liabilities	(3,943)	(1,782)	(7,357)	(13,082)
Unallocated liabilities				(1,037)
Consolidated liabilities				(14,119)

4. Operating segments continued

Geographical segments

The Electromagnetic Components, LED Components and Signals/Illumination segments are managed on a worldwide basis, but operate in three principal geographic areas: UK, Europe and North America. The following tables provide 1) an analysis of the Group's sales by geographical market, irrespective of the origin of the goods. 2) An analysis of total assets and non-current assets by location.

All revenue relates to the sale of goods.

Sales revenue by geographical market	2010 £'000	2009 £'000
North America	**68,156**	52,717
UK	**10,138**	7,790
Rest of Europe	**11,161**	8,436
Rest of World	**9,728**	8,361
	99,183	77,304

	Total assets		Non-current assets	
Continuing operations	2010 £'000	2009 £'000	2010 £'000	2009 £'000
North America	**31,588**	30,472	**6,457**	6,178
UK	**17,830**	15,307	**7,516**	5,141
Rest of Europe	**10,852**	8,444	**7,895**	6,432
	60,270	54,223	**21,868**	17,751

5. Personnel expenses

	2010 £'000	2009 £'000
Wages and salaries	**14,123**	12,290
Social security contributions	**1,657**	1,357
Equity settled share-based payment transactions	**312**	198
Contributions to defined contribution plans	**741**	350
Total charge for defined benefit plans	**75**	131
	16,908	14,326

The average number of employees by geographical location was:

	2010 Number	2009 Number
UK	**135**	138
US and Mexico	**822**	779
Rest of World	**30**	19
	987	936

In 2010 the Group employed an average of 852 direct staff (2009: 647) and 135 indirect staff (2009: 289).

6. Net financing income/(expense)

Recognised in profit and loss

	2010 £'000	2009 £'000
Interest income on bank deposits	**–**	12
Expected return on assets in the defined benefit pension schemes	**1,937**	1,699
	1,937	1,711
Interest expense on financial liabilities	**(2)**	–
Interest charge on pension scheme liabilities	**(1,819)**	(1,884)
	(1,821)	(1,884)
Net financing income/(expense)	**116**	(173)

7. Income tax expense

Recognised in the income statement

	2010 £'000	2009 £'000
Current tax expense		
Current year	**3,677**	1,945
Adjustment for prior years	**(2)**	–
	3,675	1,945
Deferred tax expense		
Origination and reversal of temporary differences	**326**	288
Adjustment for prior years	**(155)**	(243)
Income tax expense	**3,846**	1,990

Reconciliation of effective tax rate

	2010 %	2010 £'000	2009 %	2009 £'000
Profit from continuing operations		**7,453**		3,292
Total income tax expense		**3,846**		1,990
Profit excluding income tax		**11,299**		5,282
Income tax using the UK corporation tax rate	**28.0**	**3,164**	28.0	1,479
Effect of tax rates in foreign jurisdictions	**8.3**	**943**	9.2	487
Change in tax rate	**0.6**	**65**	–	–
Non-deductible expenses	**0.5**	**60**	0.8	41
Unrecognised losses carried forward	**–**	**–**	4.3	226
Losses now recognised	**(2.0)**	**(229)**	–	–
Over provision in prior years	**(1.4)**	**(157)**	(4.6)	(243)
	34.0	**3,846**	37.7	1,990

The emergency budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of four years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 21 July 2010 and will be effective from 1 April 2011. This will reduce the Group's future current tax charge accordingly. The deferred tax balances outstanding at the balance sheet date are stated at 27%. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the Group's future current tax charge and reduce the Group's deferred tax liabilities/assets accordingly.

Deferred tax recognised directly in equity

	2010 £'000	2009 £'000
Share-based payments	**473**	124

8. Profit for the year

Profit for the year has been arrived at after charging:

Research and development costs	2010 £'000	2009 £'000
Expensed as incurred	**3,730**	3,671
Amortisation charge	**1,399**	977
	5,129	4,648
Depreciation of fixed assets	**2,012**	1,525
Operating leases – Property	**815**	781
Operating leases – Other	**162**	153

8. Profit for the year continued

Auditors' remuneration:

	2010 £'000	2009 £'000
Audit of these financial statements	**39**	42
Amounts receivable by auditors in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**102**	86
Other amounts pursuant to legislation	**9**	8
Other services relating to taxation	**40**	66
Advisory work in respect of suspended disposal	**–**	15
Advisory work in respect of acquisition	**3**	–
Pension and actuarial services:		
Pension advisory services in respect of Group pension	**64**	74
Actuarial advisory on IAS 19 valuations	**–**	5
	218	254

9. Adjustment to profit from businesses sold in prior years

There is no adjustment to profit in 2010; the adjustment to profit in 2009 from businesses sold in prior years comprises two non-cash items being a release of a provision of £0.4 million for a business sold in 2003 and a release of a tax provision of £1.7 million in connection with the disposal of businesses in 2005, which are no longer required.

10. Property, plant and equipment

	Land and buildings £'000	Plant equipment and vehicles £'000	Total £'000
Cost			
At 1 January 2009	5,700	30,023	35,723
Exchange adjustments	(344)	(2,250)	(2,594)
Additions	70	1,397	1,467
Disposals	–	(890)	(890)
At 31 December 2009	5,426	28,280	33,706
At 1 January 2010	5,426	28,280	33,706
Exchange adjustments	28	743	771
Businesses acquired	11	106	117
Additions	2	2,765	2,767
Disposals	–	(890)	(890)
At 31 December 2010	**5,467**	**31,004**	**36,471**
Accumulated depreciation			
At 1 January 2009	(2,857)	(25,073)	(27,930)
Exchange adjustments	199	1,933	2,132
Charge for year	(146)	(1,379)	(1,525)
Disposals	–	865	865
At 31 December 2009	**(2,804)**	**(23,654)**	**(26,458)**
At 1 January 2010	(2,804)	(23,654)	(26,458)
Exchange adjustments	(53)	(608)	(661)
Charge for year	(154)	(1,858)	(2,012)
Disposals	–	878	878
At 31 December 2010	**(3,011)**	**(25,242)**	**(28,253)**
Carrying amount at 31 December 2010	**2,456**	**5,762**	**8,218**
At 31 December 2009	2,622	4,626	7,248
At 1 January 2009	2,843	4,950	7,793

11. Intangible assets

	Concessions, patents, licences and trademarks £'000	Goodwill £'000	Order book and customer relationships £'000	Development costs £'000	Total £'000
Costs					
Balance at 1 January 2009	1,237	6,899	–	4,840	12,976
Other acquisitions – internally developed	–	–	–	966	966
Effects of foreign exchange movement	–	(114)	–	(349)	(463)
Balance at 31 December 2009	1,237	6,785	–	5,457	13,479
Balance at 1 January 2010	1,237	6,785	–	5,457	13,479
Other acquisitions – internally developed	–	–	–	1,208	1,208
Other acquisitions	–	804	1,821	–	2,625
Effects of foreign exchange movement	–	(343)	–	20	(323)
Balance at 31 December 2010	**1,237**	**7,246**	**1,821**	**6,685**	**16,989**
Amortisation and impairment losses					
Balance at 1 January 2009	(1,071)	–	–	(2,973)	(4,044)
Amortisation for the period	(166)	–	–	(977)	(1,143)
Effects of foreign exchange movement	–	–	–	297	297
Balance at 31 December 2009	(1,237)	–	–	(3,653)	(4,890)
Balance at 1 January 2010	(1,237)	–	–	(3,653)	(4,890)
Amortisation for the period	–	–	(189)	(1,399)	(1,588)
Effects of foreign exchange movement	–	–	–	(23)	(23)
Balance at 31 December 2010	**(1,237)**	**–**	**(189)**	**(5,075)**	**(6,501)**
Carrying amounts at 31 December 2010	**–**	**7,246**	**1,632**	**1,610**	**10,488**
At 31 December 2009	–	6,785	–	1,804	8,589
At 1 January 2009	166	6,899	–	1,867	8,932

The amortisation charge for the development costs is reflected in research and development costs shown within cost of sales on the face of the income statement. The amortisation charge for concessions, patents, licences and trademarks is shown within administrative expenses on the face of the income statement. The amortisation charge for order book and customer relationships is shown within administrative expenses on the face of the income statement.

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units ("CGUs") that are expected to benefit from the business combination. The carrying amount of the goodwill had been allocated as follows:

Signals/Illumination Segment	**2010 £'000**	2009 £'000
UK Signals	**2,328**	2,328
European Traffic	**4,114**	4,457
European Obstruction	**804**	–
	7,246	6,785

The change in value in the European Traffic goodwill figure is due to foreign currency.

The Group tests goodwill (at the CGU level) annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates.

Management estimates discount rates using pre-tax rates that reflect current market assessments of a number of factors that impact on the time value of money and any risk specific to the CGU. The rate includes management's assessment of a normal level of debt to equity ratio within similar companies in its sector.

11. Intangible assets continued

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period. Management have arrived at the five-year plan based upon certain assumptions derived from research carried out by external consultants who specialise in areas of the Group's business and their knowledge of the business. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 1%. Management believe that this forecast period was justified due to the long-term nature of the LED lighting business.

Any adverse change in this assumption could reduce the recoverable amount below carrying amount. The Directors do not believe that a significant change to the assumptions is probable. The pre-tax rate used to discount the forecast cash flow for the CGUs range from 12.2% to 13.5%.

In European Traffic, where the headroom is the lowest of the three CGUs, the recoverable amount calculated based on value in use exceeded carrying value by £1.5 million. A reduction in contribution margin of 1.6% or a rise in discount rate to 18.1% would remove the remaining headroom.

12. Acquisition of subsidiary

On 28 April 2010, the Group acquired 100% of the issued share capital of BTI Light Systems A/S ("BTI"), a Danish company offering signalling and safety equipment for the wind, marine and airport industries. BTI was acquired from its management for an initial consideration of £3.0 million, £2.1 million of which was payable in cash with the remainder satisfied by the issue of 360,730 ordinary shares of 1.89 pence at a share price of 252.4 pence. In addition contingent consideration of £193,000 has been recognised. This is payable by March 2012 to the vendors and is contingent upon any claims made against the company in relation to events prior to the date of acquisition.

The acquisition enhances the Group's rapidly growing signalling business, providing a strong channel to the growing European offshore wind market. This complements the Group's already significant North American penetration of the wind turbine market and strengthens its presence in Europe.

BTI contributed £1,886,000 to revenue and a loss of £115,000 to profit before tax for the period between the date of acquisition and the balance sheet date. The costs incurred, of £87,000, in making the acquisition have been expensed as required under IFRS 3 (revised).

If the acquisition of BTI had been completed on the first day of the financial year, Group revenues for the period would have been £100.3 million and the Group profit before tax would have been £11.6 million.

Recognised amounts of identifiable assets acquired and liabilities assumed at fair value

	Note	£'000
Property, plant and equipment	10	117
Intangible assets – customer relationships	11	1,804
Intangible assets – order book	11	17
Deferred tax	13	66
Inventories		614
Trade and other receivables		877
Cash and cash equivalents		72
Trade and other payables		(918)
Tax liabilities		(205)
Net assets acquired		2,444
Goodwill	11	804
Total consideration		**3,248**
Satisfied by:		
Fair value of shares issued		909
Cash and cash equivalents		2,146
Deferred consideration		193
		3,248
Net cash outflow arising on acquisition		
Cash consideration		2,146
Cash and cash equivalents acquired		(72)
		2,074

The goodwill of £804,000 arising from the acquisition represents the workforce and future access into the European Market for Dialight products. The maximum contingent consideration payable is £193,000.

13. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000	**2010 £'000**	2009 £'000
Property, plant and equipment	**–**	–	**(379)**	(234)	**(379)**	(234)
Intangible assets	**–**	–	**(548)**	(565)	**(548)**	(565)
Employee benefits	**1,364**	447	**–**	–	**1,364**	447
Provisions	**1,638**	1,433	**–**	–	**1,638**	1,433
Other items	**1,087**	833	**–**	–	**1,087**	833
Tax assets/(liabilities)	**4,089**	2,713	**(927)**	(799)	**3,162**	1,914
Set off of tax	**(927)**	(799)	**927**	799	**–**	–
Net tax assets	**3,162**	1,914	**–**	–	**3,162**	1,914

Deferred tax assets have been recognised in respect of all tax losses anticipated to be available. In 2009 £1,829,000 of tax losses was unrecognised.

The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred taxation liabilities have not been recognised is £nil (2009: £nil).

Movement in temporary differences during the year

	Property, plant and equipment £'000	Intangible assets £'000	Employee benefits £'000	Provisions £,000	Other short-term timing differences £'000	Total £'000
Balance at 1 January 2009	(196)	(634)	1,718	1,303	704	2,895
Recognised in income	(26)	42	(468)	278	129	(45)
Exchange	(12)	27	(140)	(73)	–	(198)
Recognised in equity	–	–	(663)	124	–	(539)
Transfer to corporation tax	–	–	–	(199)	–	(199)
Balance at 31 December 2009	(234)	(565)	447	1,433	833	1,914
Balance at 1 January 2010	(234)	(565)	447	1,433	833	1,914
Recognised in income	(141)	8	(226)	134	54	(171)
Exchange	(2)	13	39	(1)	(1)	48
On acquisition	(2)	(4)	–	72	–	66
Recognised in equity	–	–	1,104	–	201	1,305
Balance at 31 December 2010	**(379)**	**(548)**	**1,364**	**1,638**	**1,087**	**3,162**

14. Inventories

	2010 £'000	2009 £'000
Raw materials and consumables	**6,372**	6,020
Work in progress	**1,702**	1,126
Finished goods	**1,113**	2,048
	9,187	9,194

Inventories to the value of £50,484,000 (2009: £40,579,000) were recognised as expenses in the year. Included within this figure was the write-down of inventories to net realisable value of £413,000 (2009: £759,000).

15. Trade and other receivables

	2010 £'000	2009 £'000
Trade receivables	**17,855**	17,235
Other non-trade receivables	**251**	351
Prepayments and accrued income	**750**	600
	18,856	18,186

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 22.

16. Cash and cash equivalents

	2010 £'000	2009 £'000
Total bank balances	**10,359**	9,092
Cash and cash equivalents	**10,359**	9,092

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 22.

17. Capital and reserves

Share capital

	2010 Number	2010 £'000	2009 Number	2009 £'000
Allotted and fully paid				
Ordinary shares of 1.89 pence each	**31,600,231**	**597**	31,239,501	591

Under the Companies Act 2006, companies are no longer required to have an authorised share capital and a resolution was passed by shareholders at the 2010 Annual General Meeting to take advantage of the relevant provisions. Therefore, the Company no longer has an authorised share capital.

During the year, 360,730 shares were issued (1.15% of the total ordinary share capital issued) to the shareholders of BTI as part of the purchase consideration for 100% of its ordinary share capital. The ordinary shares issued have the same rights as the other shares in issue. The fair value of the shares issued amounted to £909,000 (252.4 pence per share).

	Ordinary shares	
Issued share capital	2010 Number	2009 Number
In issue at 1 January	**31,239,501**	31,239,501
Shares issued	**360,730**	–
Issued and fully paid at 31 December	**31,600,231**	31,239,501

Merger reserve

On acquiring Lumidrives Limited in 2006 the Company issued ordinary shares as part of the consideration. Merger relief was taken in accordance with Section 131 of the Companies Act 1985 and hence £546,000 was credited to the merger reserve.

On acquiring BTI in the year the Company issued ordinary shares as part of the consideration. Merger relief was taken in accordance with Section 612 of the Companies Act 2006 and hence £903,000 was credited to the merger reserve.

Translation reserve

The translation reserve comprises all foreign exchange differences from 1 January 2004 arising from the translation of the financial statements of foreign operations for the Company.

Capital redemption reserve

The Capital Redemption reserve comprises the nominal value of "B" preference shares redeemed since the Capital reorganisation in 2005.

Dividends

After the balance sheet date the following dividends were proposed by the Directors. The dividends have not been provided for and there are no income tax consequences for the Company.

Final proposed dividend	2010 £'000	2009 £'000
5.2 pence per ordinary share (2009: 4.3 pence)	**1,643**	1,343

During the year the following dividends were paid:

	2010 £'000	2009 £'000
Interim – 2.8 pence per ordinary share (2009: 2.3 pence)	**885**	719
Second interim – 4.3 pence per ordinary share (2008 final 3.9 pence)	**1,343**	1,218
	2,228	1,937

18. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2010 was based on the profit for the year of £7,453,000 (2009: £5,432,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2010 of 31,286,691 (2009: 30,983,501).

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2010 was based on profit for the year of £7,453,000 (2009: £5,432,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2010 of 32,081,365 (2009: 31,788,206) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2010 £'000	2009 £'000
Weighted average number of ordinary shares	**31,287**	30,984
Effect of share options on issue	**794**	804
Weighted average number of ordinary shares (diluted)	**32,081**	31,788

Underlying earnings per share are highlighted below as the Directors consider that this measurement of earnings gives valuable information on the performance of the Group.

	2010 £'000 Continuing operations	2010 £'000 Discontinued operations	2010 £'000 Total	2009 £'000 Continuing operations	2009 £'000 Discontinued operations	2009 £'000 Total
Profit attributable to ordinary shareholders (basic and diluted)	**7,453**	**–**	**7,453**	3,292	2,140	5,432
Earnings per share						
Basic	**23.8p**	**–**	**23.8p**	10.6p	6.9p	17.5p
Diluted	**23.3p**	**–**	**23.3p**	10.4p	6.7p	17.1p

19. Employee benefits

Defined benefit pension obligations

The Group makes contributions to three defined benefit plans to provide benefits for employees upon retirement. One of the plans is overseas. All three plans are closed to new members.

Recognised liability for defined benefit obligations

	2010 £'000	2010 £'000	2010 £'000	2009 £'000	2009 £'000	2009 £'000
	UK schemes	US scheme	Total	UK schemes	US scheme	Total
Present value of liabilities	**19,997**	**14,525**	**34,522**	18,434	13,229	31,663
Fair value of plan assets	**(20,417)**	**(12,664)**	**(33,081)**	(19,302)	(11,413)	(30,715)
Recognised (assets)/liability for defined benefit obligations	**(420)**	**1,861**	**1,441**	(868)	1,816	948

Plan assets consist of the following:

	2010 £'000	2010 £'000	2010 £'000	2009 £'000	2009 £'000	2009 £'000
	UK schemes	US scheme	Total	UK schemes	US scheme	Total
Equities	**8,030**	**–**	**8,030**	7,110	7,936	15,046
Bonds	**8,236**	**–**	**8,236**	7,871	3,471	11,342
Cash	**4,151**	**12,664**	**16,815**	4,321	6	4,327
	20,417	**12,664**	**33,081**	19,302	11,413	30,715

19. Employee benefits continued

Movements in the present value of defined benefit obligations

	2010 £'000 UK schemes	2010 £'000 US scheme	2010 £'000 Total	2009 £'000 UK schemes	2009 £'000 US scheme	2009 £'000 Total
Defined benefit obligations at 1 January	**18,434**	**13,229**	**31,663**	17,911	14,562	32,473
Current service cost	**75**	**–**	**75**	77	–	77
Employee element of service cost	**18**	**–**	**18**	24	–	24
Interest cost	**1,044**	**775**	**1,819**	1,100	784	1,884
Benefits paid	**(856)**	**(1,022)**	**(1,878)**	(867)	(979)	(1,846)
Liabilities extinguished	**–**	**–**	**–**	(332)	–	(332)
Actuarial losses	**1,282**	**1,066**	**2,348**	521	261	782
Currency losses/(gains)	**–**	**477**	**477**	–	(1,399)	(1,399)
Defined benefit obligations at 31 December	**19,997**	**14,525**	**34,522**	18,434	13,229	31,663

Movements in fair value of plan assets

	2010 £'000 UK schemes	2010 £'000 US scheme	2010 £'000 Total	2009 £'000 UK schemes	2009 £'000 US scheme	2009 £'000 Total
Fair value of plan assets at 1 January	**19,302**	**11,413**	**30,715**	18,107	9,897	28,004
Expected return on scheme assets	**970**	**967**	**1,937**	960	739	1,699
Employer contributions	**266**	**1,077**	**1,343**	561	1,061	1,622
Member contributions	**18**	**–**	**18**	24	–	24
Benefits paid	**(856)**	**(1,022)**	**(1,878)**	(867)	(979)	(1,846)
Assets distributed	**–**	**–**	**–**	(386)	–	(386)
Actuarial gains/(losses)	**717**	**(179)**	**538**	903	1,723	2,626
Currency gains/(losses)	**–**	**408**	**408**	–	(1,028)	(1,028)
Fair value of plan assets at 31 December	**20,417**	**12,664**	**33,081**	19,302	11,413	30,715
(Surplus)/Deficit	**(420)**	**1,861**	**1,441**	(868)	1,816	948

Expense recognised in the income statement

	2010 £'000 UK schemes	2010 £'000 US scheme	2010 £'000 Total	2009 £'000 UK schemes	2009 £'000 US scheme	2009 £'000 Total
Current service costs	**75**	**–**	**75**	77	–	77
Settlement cost	**–**	**–**	**–**	54	–	54
Interest on obligation	**1,044**	**775**	**1,819**	1,100	784	1,884
Expected return on plan assets	**(970)**	**(967)**	**(1,937)**	(960)	(739)	(1,699)
	149	**(192)**	**(43)**	271	45	316

The expense is recognised in the following line items in the income statement:

	2010 £'000 UK schemes	2010 £'000 US scheme	2010 £'000 Total	2009 £'000 UK schemes	2009 £'000 US scheme	2009 £'000 Total
Cost of sales	**41**	**–**	**41**	72	–	72
Distribution costs	**8**	**–**	**8**	13	–	13
Administrative expenses	**26**	**–**	**26**	46	–	46
Net financing income	**74**	**(192)**	**(118)**	140	45	185
	149	**(192)**	**(43)**	271	45	316

19. Employee benefits continued

Expense recognised in other comprehensive income

	2010 £'000 UK schemes	2010 £'000 US scheme	2010 £'000 Total	2009 £'000 UK schemes	2009 £'000 US scheme	2009 £'000 Total
Actuarial gains/(losses) on plan assets	**717**	**(179)**	**538**	903	1,723	2,626
Change in assumptions in respect of liabilities	**(447)**	**(1,090)**	**(1,537)**	(2,063)	(337)	(2,400)
Experience (losses)/gains on liabilities	**(835)**	**24**	**(811)**	1,542	76	1,618
Net actuarial (loss)/gain recognised in consolidated statement of comprehensive income	**(565)**	**(1,245)**	**(1,810)**	382	1,462	1,844
Cumulative actuarial loss recognised in consolidated statement of comprehensive income	**–**	**–**	**(5,951)**	–	–	(4,141)

Historical information

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Defined benefit obligation	**(34,522)**	(31,663)	(32,473)	(32,417)	(31,734)
Scheme assets	**33,081**	30,715	28,004	31,190	30,063
Deficit	**(1,441)**	(948)	(4,469)	(1,227)	(1,671)
Actuarial (losses)/gains on liabilities	**(2,348)**	(782)	3,788	(405)	(509)
Experience gain/(loss) on assets	**538**	2,626	(7,195)	67	812
Experience (loss)/gain on currency	**(69)**	371	(1,066)	23	282

Liability for defined benefit obligations

The principal assumptions at the balance sheet date (expressed as weighted averages) are:

	UK schemes (% per annum)			US scheme (% per annum)		
	2010	2009	2008	**2010**	2009	2008
Discount rate at 31 December	**5.50**	5.70	6.25	**5.00**	5.75	6.00
Future salary increases	**3.00**	4.25	3.70	**n/a**	n/a	n/a
Future pension increases	**3.65**	3.65	3.20	**n/a**	n/a	n/a
Inflation – RPI	**3.70**	3.75	3.20	**n/a**	n/a	n/a
Inflation – CPI	**3.00**	n/a	n/a	**n/a**	n/a	n/a
Deferred revaluation	**3.00**	3.75	3.20	**n/a**	n/a	n/a

On 8 July 2010 the government announced it would change the inflation index used for statutory pension increases that would apply to private sector pension schemes going forward. As a result, deferred revaluation of pensions in excess of guaranteed minimum pension for the UK schemes is now based on the Consumer Price Index ("CPI"), which previously was based on the Retail Price Index ("RPI"). This change has been recognised at 31 December 2010 in other comprehensive income.

The expected long-term rates of return were:

	UK schemes (% per annum)			US scheme (% per annum)		
	2010	2009	2008	**2010**	2009	2008
Equities	**6.50**	6.50	6.50	**n/a**	8.65	8.65
Bonds	**4.20**	4.50	4.50	**n/a**	4.80	5.00
Cash	**4.20**	3.75	3.75	**1.00**	2.15	4.00

The US scheme is closed to accrual for future service and salary and pension increases are not applicable.

For its UK pension arrangements the Group has, for the purpose of calculating its liabilities as at 31 December 2010, used PA92 medium cohort tables based on year of birth (as is published by the Institute of Actuaries). For its US pension arrangements the mortality tables are taken from the RP2000 Generational Mortality Table. Both UK and US mortality tables are based on the latest mortality investigations and reflect an industry-wide recognition that life expectations have improved. The average life expectancy of an individual currently aged 45 years and retiring at age 65 years is 21.8 years for males and 25.1 years for females. For individuals currently aged 65 years the average life expectancy is 20.6 years for males and 21.7 years for females.

The expected long-term rate of return for investments is based on the portfolio as a whole and not on individual asset categories. The return is based exclusively on historical returns, without adjustments which are crossed checked against market expectations from external sources.

The Group expects that contributions to the UK defined benefit plans in 2011 will be at a similar level to contributions paid in 2010. A full buy-out of the US scheme is planned to take place in March 2011.

19. Employee benefits continued

Share-based payments

PSP

In September 2005 the shareholders approved the PSP.

During the year an award under the PSP was made to the Executive Directors and senior managers, details of which are set out below:

Date of award	Number of awards at the beginning of year	Number of awards granted during the year	Number of awards released during the year	Number of awards forfeited during the year	**Number of awards at the year end**	Fair value pence per share	Vesting Period	Maturity date
April 2007	220,825	–	(123,949)	(96,876)	**–**	84	3 years	April 2010
April 2008	303,064	–	–	(10,229)	**292,835**	97	3 years	April 2011
April 2009*	358,150	–	–	(10,195)	**347,955**	56	3 years	April 2012
May 2010	–	235,681	–	–	**235,681**	186	3 years	May 2013
September 2010	–	37,822	–	–	**37,822**	322	3 years	Sept 2013
	882,039	273,503	(123,949)	(117,300)	**914,293**			

* Restated.

Further details of the PSP are included in the Directors' remuneration report on pages 39 to 43.

The fair value of the awards made is measured using the Monte Carlo model with the following inputs:

	September 2010 award	May 2010 award	April 2009 award	April 2008 award
Share price	£4.01	£2.79	£1.17*	£1.55
Exercise price	£nil	£nil	£nil	£nil
Expected volatility	42%	41%	40%	38%
Award life	3 years	3 years	3 years	3 years
Correlation				
Dialight and the FTSE Smallcap Index	30%	33%	18%	19%
FTSE Smallcap Index and the FTSE All Share Electronic/Electrical Equipment Index	87%	86%	77%	76%

* Restated.

The employee expense in 2010 is £312,000 (2009: £198,000) (see note 5).

20. Provisions

	Warranty £'000
Balance at 1 January 2010	1,073
Effects of foreign exchange movement	21
Business acquired	37
Provisions made during the year	568
Provisions used during the year	(543)
Balance at 31 December 2010	**1,156**

	Warranty 2010 £'000	Warranty 2009 £'000
Due within one year	**694**	–
Due between one and five years	**462**	1,073
	1,156	1,073

The provision is based on estimates made from historical warranty data associated with similar products.

21. Trade and other payables

	2010 £'000	2009 £'000
Trade payables	**6,640**	7,192
Other taxes and social security	**245**	179
Non-trade payables and accrued expenses	**4,380**	3,644
	11,265	11,015

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 22.

22. Financial risk management

The Group has exposure to credit risk, market risk and liquidity risk from its use of financial instruments.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Trade and other receivables

Credit risk is the risk of financial loss if a customer fails to meet its contractual obligations by not paying the receivables due.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Operationally the Group has no significant concentration of credit risk.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings when available and in some cases bank references. Purchase limits are set for customers. Customers that do not meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Group's policy is to manage exposure to interest rate risk setting a proportion of any borrowings to a fixed rate basis. Historically interest rate swaps have been considered and entered into. Currently the Group has no borrowings.

Foreign currency risk

Exposure to currency risk arises in the normal course of the Group's business.

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than UK Sterling. The currencies giving rise to risk are primarily Euro and US Dollars.

The Group uses natural hedging within the Group to hedge the majority of its foreign currency risk.

Natural hedging is the mechanism whereby the cash inflows in a particular currency are matched to the cash outflows in that currency at the same business or different group company.

In respect of other monetary assets and liabilities held in currencies other than UK Sterling, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board monitors TSR compared to certain peer companies and the FTSE All Share index and Electronic/Electrical Equipment Index.

From time to time the Board will consider whether to purchase its own shares in the market; the timing of these purchases depends on market prices. Primarily it is intended that any share purchase would be used for issuing shares under the Group's PSP. The Group does not have a defined share buy back plan.

22. Financial risk management continued

Exposure to credit risk

The ageing of trade receivables at the reporting date was:

	Gross 2010 £'000	Impairment 2010 £'000	Gross 2009 £'000	Impairment 2009 £'000
Not past due	**11,431**	**–**	11,306	73
Past due 0-30 days	**4,922**	**204**	3,838	7
Past due 31-120 days	**1,674**	**48**	2,121	8
Past due 121-365 days	**101**	**24**	312	254
More than one year	**96**	**93**	113	113
Total	**18,224**	**369**	17,690	455

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	£'000
Balance at 1 January 2010	455
Exchange adjustment	2
On acquisition	8
Utilisation of provision	(17)
Provision released	(79)
Balance at 31 December 2010	**369**

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the financial asset directly.

Other non-trade receivables of £251,000 (2009: £351,000) are not past due and have no impairment.

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	2010 $'000	2010 €'000	2009 $'000	2009 €'000
Trade receivables	**4,758**	**559**	3,847	362
Currency cash	**1,044**	**596**	1,017	938
Trade payables	**(3,874)**	**(44)**	(3,586)	(582)
Gross balance sheet exposure	**1,928**	**1,111**	1,278	718
Estimated forecast sales	**25,569**	**7,546**	16,500	8,000
Estimated forecast purchases	**(24,403)**	**(820)**	(15,000)	(6,000)
Gross exposure	**3,094**	**7,837**	2,778	2,718
Forward exchange contracts	**–**	**–**	–	–
Net exposure	**3,094**	**7,837**	2,778	2,718

The following significant exchange rates applied during the year:

	2010 Average rate	2010 At reporting date	2009 Average rate	2009 At reporting date
US Dollar	**1.53**	**1.56**	1.57	1.62
Euro	**1.17**	**1.16**	1.12	1.13

Exposure to liquidity risk

For non-derivative financial liabilities the Group's exposure relates principally to trade and other payables.

Trade and other payables arise in the normal course of business and there are no unusual or onerous terms and conditions. These are all due to be paid within six months from the balance sheet date.

22. Financial risk management continued

Sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes, in particular in foreign exchange rates, would have an impact on equity value and consolidation earnings.

At 31 December 2010 it is estimated that a general increase of 1% in the value of the Euro and US Dollar against UK Sterling would have reduced the Group's profit before tax by approximately £112,000 for the year ended 31 December 2010 (2009: £62,000).

At 31 December 2010 it is estimated that a general increase of 1% in the value of the Euro and US Dollar against UK Sterling would have reduced the Group's equity by approximately £46,000 for the year ended 31 December 2010 (2009: £231,000).

Fair values versus carrying amounts

The fair values of financial assets and liabilities together with the carrying amounts shown in the balance sheet are as follows:

	Carrying amount 2010 £'000	**Fair value 2010 £'000**	Carrying amount 2009 £'000	Fair value 2009 £'000
Trade and other receivables	**18,106**	**18,106**	17,586	17,586
Cash and cash equivalents	**10,359**	**10,359**	9,092	9,092
Trade and other payables	**(6,885)**	**(6,885)**	(7,371)	(7,371)
	21,580	**21,580**	19,307	19,307

Details of the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table are set out in note 3(v).

23. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2010 £'000	2009 £'000
Less than one year	**835**	853
Between one and five years	**1,985**	1,306
More than five years	**1,848**	7
	4,668	2,166

Of the £4,668,000 (2009: £2,166,000), £4,506,000 (2009: £1,992,000) relates to property and the balance to plant and equipment.

The Group has no off balance sheet arrangements that need to be disclosed as within the context of Section 410A of the Companies Act 2006.

24. Capital commitments

Capital commitments at 31 December for which no provision has been made in the accounts were:

	2010 £'000	2009 £'000
Contracted	**499**	301

25. Contingencies

	2010 £'000	2009 £'000
Performance guarantees and indemnities	**–**	100

The Group was notified of the potential for an as yet unquantified future claim to arise from one of its Signalling/Illumination customers. Legal advice has been sought and discussions with the customer have commenced to mitigate the risk of any liability arising. No provision has been made in respect of this matter because the Directors are unable to estimate the outcome of this potential claim.

26. Related parties

The ultimate controlling party of the Group is Dialight plc. Transactions between the Company and its subsidiaries have been eliminated on consolidation. Intra-group transactions are priced on arm's length basis.

Transactions with key management personnel

Directors of the Company and their immediate relatives control 4.98% of the Company.

Details of the remuneration for the Company Directors are set out in the Directors' remuneration report on pages 39 to 43. Details of the IFRS 2 charge is set out in note 5. The main Board Directors are considered to be the Group's key management personnel.

27. Significant subsidiaries

	Country of incorporation	Principal activity
Dialight Corporation*	USA	Manufacture and sale of indicators and Signals/Illumination products
Dialight Garufo GmbH*	Germany	Manufacture and sale of Signals/Illumination products
Dialight Europe Limited (formerly Dialight BLP Limited)	England and Wales	Manufacture and sale of electromagnetic components and manufacture of Signals products
Dialight Lumidrives Limited	England and Wales	Manufacture and sale of Illumination products
Dialight BLP Limited (formerly Dialight Europe Limited)	England and Wales	Sale of Signals/Illumination products
BTI Light Systems A/S	Denmark	Manufacture and sale of Signals/Illumination products

All of these are included within the consolidation. Those marked with an * are indirectly held.

28. Accounting estimates and judgements

Management discussed with the Audit Committee the disclosure of critical accounting policies and estimates.

Key sources of estimation uncertainty

Note 11 contains information about the assumptions and their risk factors relating to goodwill impairment; in note 22 detailed analysis is given of the foreign exchange exposure and risks in relation to foreign exchange movements.

Note 19 contains information on the Group's defined benefit pension plans. The main assumptions made in accounting for the Group's pension plans relate to the expected rate of return on investments within the plans, the rate of increase in pensionable salaries, the rate of increase in the retail price index, the mortality rate of plan members and the discount rate applied in discounting liabilities. For each of these assumptions there is a range of possible values. Small changes in these assumptions can have a significant impact on the size of the deficit calculated under IAS 19.

Warranty (see note 20)

The warranty provision is estimated requiring management to make estimates and assumptions with respect to values and conditions which cannot be known with certainty at the time the financial statements are prepared.

Estimates are evaluated based on historical results and experience together with any known factors at the time of estimate. If the relevant rate of product returns differed materially from the estimates this may have a material impact on the level of provision required.

Disposal of businesses

During the last seven years the Group has sold businesses in three separate transactions to major US corporations. In each transaction Dialight was required to provide certain warranties and indemnities to the purchaser. The terms and nature of the warranties and indemnities were not unusual for these types of transactions. A number of the indemnities principally in relation to taxation are still in place and will expire over time with the last expiring in December 2011. The Board is aware of situations where claims arising from the indemnities are possible, but having taken legal advice, the Board considers that the risk of a material claim by any of the purchasers is remote. No provision is required to be made.

29. Post balance sheet events

On 4 January 2011, the Group acquired 75% of the issued share capital of Lightday Investments Pty Ltd trading as Industrial Lighting Solutions ("ILS"), its Australian distributor of ultra-efficient lighting products. The cash consideration paid at the date of acquisition was AUD $300,000. Due to the timing of the acquisition the fair values have yet to be determined and will be announced in the half yearly financial report.

Financial statements

Company balance sheet (prepared under UK GAAP)

at 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	32	**106**	6
Investments	33	**16,200**	13,590
		16,306	13,596
Current assets			
Debtors	34	**33,964**	9,415
Cash at bank and in hand		**2,377**	3,070
		36,341	12,485
Creditors			
Amounts falling due within one year			
Other creditors	35	**(4,961)**	(3,908)
Net current assets		**31,380**	8,577
Total assets less current liabilities		**47,686**	22,173
Net assets excluding pension fund liability		**47,686**	22,173
Pension fund liability	39	**(6)**	(95)
Net assets including pension fund liability		**47,680**	22,078
Capital and reserves			
Called up share capital	37, 38	**597**	591
Capital redemption reserve	38	**2,232**	2,232
Other reserve	38	**741**	476
Profit and loss account	38	**44,110**	18,779
Equity shareholder funds		**47,680**	22,078

These financial statements were approved by the Board of Directors on 9 March 2011 and were signed on its behalf by:

Roy Burton
Group Chief Executive

Mark Fryer
Group Finance Director

30. Dialight plc Company balance sheet

Accounting policies

The financial statements have been prepared under historic cost accounting rules and in accordance with UK GAAP.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

No STRGL is required under UK GAAP as it is treated as related to the profit and loss account. Actuarial movements and related deferred tax will therefore only appear in the reserves note.

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges.

Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Depreciation

Depreciation is calculated so as to write off the cost, less estimated net realisable value, of tangible fixed assets on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Office equipment	between 10% and 20%
Computer equipment	between 20% and 33.3%
Plant, machinery, fixtures and fittings	between 10% and 20%
Motor vehicles	between 25% and 33.3%

Leased assets

The costs of operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments.

Taxation

Deferred taxation is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

30. Dialight plc Company balance sheet continued

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost, less provisions for impairment in value. Where the consideration for the acquisition of a subsidiary undertaking includes shares in the company to which the provisions of Section 612 of the Companies Act 2006 apply, the cost represents the nominal value of shares issued together with the fair value of any additional consideration given and costs.

Pension contributions

The Company operates both defined benefit and defined contribution plans. The assets of all the arrangements are held separately from the assets of the Company in independently administered funds. The amount charges against profits in respect of defined contribution arrangements are the contributions payable to those arrangements in the accounting period.

For the defined benefit arrangements the assets are measured at market values. The liabilities are measured on the projected unit method, discounting at the current rate of return of a high quality corporate bond of the appropriate term and currency to the liability, as required under FRS 17.

The defined benefit scheme surplus or deficit is recognised in full and presented on the face of the balance sheet.

The movement in the deficit is split between operating charges, financing items and actuarial gains and losses in the statement of recognised gains and losses.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Share-based payments

The PSP allows employees to acquire shares of the Company. The fair value of awards granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to receive the awards. The fair value of the awards granted is measured using a pricing model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of share awards that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Where the Company grants awards over its own shares to the employees of its subsidiaries, it recognises an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its subsidiary's financial statements with the corresponding credit being recognised directly in equity.

31. Staff costs

Staff costs during the year were:

	2010 £'000	2009 £'000
Wages and salaries	**612**	553
Social security costs	**65**	43
Equity-settled share-based payment transactions	**47**	67
Pension costs	**76**	44
	800	707

The average number of employees (including Executive Directors) employed during the year was:

	2010 Number	2009 Number
UK	**4**	3

Details for each Director of remuneration, pension entitlements and interests in share options are set out in the Directors' remuneration report on pages 39 to 43.

32. Fixed assets

	Plant equipment and vehicles £'000
Cost	
At 1 January 2010	270
Additions	115
Disposals	(255)
At 31 December 2010	**130**
Depreciation	
At 1 January 2010	(264)
Charge for the year	(15)
Disposals	255
At 31 December 2010	**(24)**
Net book value at 31 December 2010	**106**
Net book value at 31 December 2009	6

33. Investments

Investments in subsidiary undertakings:

	£'000
Cost	
At 1 January 2010	18,378
Additions	2,345
Share-based payment	265
At 31 December 2010	**20,988**
Provisions	
At 1 January 2010	(4,788)
Profit and loss account	–
At 31 December 2010	**(4,788)**
Net book value at 31 December 2010	**16,200**
Net book value at 31 December 2009	13,590

In accordance with UITF 41 "Scope of FRS 20 (IFRS 2)" the cost of investment is increased to reflect the cost of share options awarded to employees of the Company's subsidiaries.

Details of the principal subsidiary companies are as follows:

Name	Country of incorporation and operation
Dialight Corporation*	United States of America
Dialight Europe Limited (formerly Dialight BLP Limited)	England and Wales
Dialight Garufo GmbH*	Germany
Dialight Lumidrives Limited	England and Wales
Dialight BLP Limited (formerly Dialight Europe Limited)	England and Wales
BTI Light Systems A/S	Denmark

The Group owns all of the equity of the above companies. The investment is held directly by the Company except for those companies where indicated by *.

On 28 April 2010 the Company acquired the entire issued share capital of BTI for a total consideration of £3,248,000. The consideration included shares in Dialight plc with a value of £909,000. Under Section 612 of the Companies Act 2006 the consideration for BTI is stated at cash and deferred consideration being £2,339,000 and the nominal value of the shares being £6,000.

34. Debtors

	2010 £'000	2009 £'000
Amounts owed by subsidiary undertakings	**33,052**	9,282
Other debtors	**131**	58
Deferred tax asset (note 36)	**781**	75
	33,964	9,415

35. Creditors

	2010 £'000	2009 £'000
Amounts falling due within one year:		
Other taxes and social security costs	**14**	17
Amounts owed to subsidiary undertakings	**3,445**	3,289
Accruals and deferred income	**1,502**	602
	4,961	3,908

36. Deferred tax asset

	2010 £'000	2009 £'000
At 1 January	**112**	319
Profit and loss account	**649**	(27)
Recognised in equity	**22**	19
Businesses sold in prior years recognised in income	**–**	(199)
At 31 December	**783**	112
An analysis of deferred tax is as follows:		
Capital allowances	**30**	31
Short-term timing differences	**751**	44
Debtors (see note 34)	**781**	75
Pension liability (see note 39)	**2**	37
	783	112

37. Called up share capital

	2010 Number	2010 £'000	2009 Number	2009 £'000
Allotted and fully paid				
Ordinary shares of 1.89 pence each	**31,600,231**	**597**	31,239,501	591
Shares classified as liabilities		**–**		–
Shares classified in shareholder funds		**597**		591
		597		591

Under the Companies Act 2006, companies are no longer required to have an authorised share capital and a resolution was passed by shareholders at the 2010 Annual General Meeting to take advantage of the relevant provisions. Therefore, the Company no longer has an authorised share capital.

During the year, 360,730 shares were issued (1.15% of the total ordinary share capital issued) to the shareholders of BTI as part of the purchase consideration for 100% of its ordinary share capital. The ordinary shares issued have the same rights as the other shares in issue. The fair value of the shares issued amounted to £909,000 (252.4 pence per share).

Share-based payments

PSP

In September 2005 the shareholders approved the PSP.

During the year an award under the Plan was made to the Executive Directors and senior managers, details of which are set out below:

Date of award	Number of awards at the beginning of year	Number of awards granted during the year	Number of awards released during the year	Number of awards forfeited during the year	**Number of awards at the year end**	Fair value pence per share	Vesting period	Maturity date
April 2007	220,825	–	(123,949)	(96,876)	**–**	84	3 years	April 2010
April 2008	303,064	–	–	(10,229)	**292,835**	97	3 years	April 2011
April 2009*	358,150	–	–	(10,195)	**347,955**	56	3 years	April 2012
May 2010	–	235,681	–	–	**235,681**	186	3 years	May 2013
September 2010	–	37,822	–	–	**37,822**	322	3 years	Sept 2013
	882,039	273,503	(123,949)	(117,300)	**914,293**			

* Restated.

Further details of the PSP are included in the Directors' remuneration report on pages 39 to 43.

37. Called up share capital continued

Share-based payments continued

Performance Share Plan continued

The fair value of the awards made is measured using the Monte Carlo model with the following inputs:

	September 2010 award	May 2010 award	April 2009 award	April 2008 award
Share price	£4.01	£2.79	£1.17*	£1.55
Exercise price	£nil	£nil	£nil	£nil
Expected volatility	42%	41%	40%	38%
Award life	3 years	3 years	3 years	3 years
Correlation				
Dialight and the FTSE Smallcap Index	30%	33%	18%	19%
FTSE Smallcap Index and the FTSE All Share Electronic/Electrical Equipment Index	87%	86%	77%	76%

* Restated

38. Capital and reserves

	Share capital £'000	Capital redemption reserve £'000	Other reserve capital contribution £'000	Profit and loss account £'000	Total £'000
At 1 January 2010	591	2,232	476	18,779	22,078
Shares issued on acquisition	6	–	–	–	6
Net expense recognised in equity	–	–	–	26	26
Profit for the year	–	–	–	27,441	27,441
Dividends to shareholders	–	–	–	(2,228)	(2,228)
Dividends returned from shareholders	–	–	–	6	6
Share-based payments	–	–	265	86	351
At 31 December 2010	**597**	**2,232**	**741**	**44,110**	**47,680**

At 31 December 2010 the number of shares held by the Group through the ESOT was 159,621 (2009: 256,000). The market value of these shares at 31 December 2010 was £820,452 (2009: £560,000).

The capital contribution reserve is non-distributable and arises from the accounting for share-based payments (see note 37).

The profit for the year was £27,441,000 (2009: £5,104,000). Net expenses recognised directly in equity relate to the net actuarial gain (net of deferred tax) arising in respect of the pension scheme.

	2010 £'000	2009 £'000
Profit and loss reserve excluding pension liability	**44,116**	18,874
Pension reserve	**(6)**	(95)
Profit and loss reserve	**44,110**	18,779

Reconciliation of movement in shareholders' funds

	2010 £'000	2009 £'000
Profit for the year	**27,441**	5,104
Shares issued on acquisition	**6**	–
Other gains and losses	**26**	(64)
Dividends paid	**(2,228)**	(1,937)
Dividends returned	**6**	–
Share-based payments (net of tax)	**351**	198
Net addition to shareholder funds	**25,602**	3,301
Opening shareholder funds	**22,078**	18,777
Closing shareholder funds	**47,680**	22,078

38. Capital and reserves continued

Dividends

After the balance sheet date the following dividends were proposed by the Directors. The dividends have not been provided for and there are no income tax consequences for the Company.

Final proposed dividend	2010 £'000	2009 £'000
5.2 pence per ordinary share (2009: 4.3 pence)	**1,643**	1,343

During the year the following dividends were paid:

	2010 £'000	2009 £'000
Interim – 2.8 pence per ordinary share (2009: 2.3 pence)	**885**	719
Second interim – 4.3 pence per ordinary share (2008 final 3.9 pence)	**1,343**	1,218
	2,228	1,937

39. Pensions

The Company operates both a defined benefit executive scheme and defined contribution plan. The assets of the schemes are held separately from those of the Company. The defined benefit plan is closed to new members.

Recognised asset for defined benefit obligations

	2010 £'000	2009 £'000
Present value of liabilities	**(1,483)**	(1,471)
Fair value of plan assets	**1,475**	1,339
Recognised liability for defined benefit obligations	**(8)**	(132)
Deferred tax (see note 36)	**2**	37
Pension liability net of deferred tax	**(6)**	(95)

Plan assets consist of the following:	2010 £'000	2009 £'000
Bonds	**1,411**	1,316
Cash	**64**	23
	1,475	1,339

Movements in the present value of defined benefit obligations

	2010 £'000	2009 £'000
Liabilities at 1 January	**1,471**	1,338
Current service cost	**–**	14
Employee element of service cost	**–**	2
Interest cost	**83**	83
Benefits paid	**(47)**	(128)
Actuarial (gain)/loss	**(24)**	162
Liabilities at 31 December	**1,483**	1,471

Movements in fair value of plan assets

	2010 £'000	2009 £'000
Assets at 1 January	**1,339**	1,273
Expected return on scheme assets	**61**	57
Employer contributions	**85**	56
Member contributions	**–**	2
Benefit paid	**(47)**	(128)
Actuarial gain	**37**	79
Assets at 31 December	**1,475**	1,339

39. Pensions continued

Expense recognised in the profit and loss account

	2010 £'000	2009 £'000
Current service costs	–	14
Interest on obligation	**83**	83
Expected return on plan assets	**(61)**	(57)
	22	40

The expense is recognised in the following line items in the profit and loss account.

	2010 £'000	2009 £'000
Administrative expenses	–	14
Net financing income	**22**	26
	22	40

Expense recognised in statement of recognised gains and losses

	2010 £'000	2009 £'000
Actuarial gain on plan assets	**37**	79
Experience gain/(losses) on liabilities	**49**	40
Change in assumptions in respect of liabilities	**(25)**	(202)
Net actuarial gain/(loss) recognised in Statement of recognised gains and losses	**61**	(83)
Cumulative actuarial loss recognised in Statement of recognised gains and losses	**(420)**	(481)

Historical information

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Defined benefit obligation	**(1,483)**	(1,471)	(1,338)	(2,003)	(1,791)
Scheme assets	**1,475**	1,339	1,273	1,943	1,883
(Deficit)/surplus	**(8)**	(132)	(65)	(60)	92
Actuarial gain/(losses) on liabilities	**24**	(162)	228	(119)	(120)
Experience gain/(losses) on assets	**37**	79	(290)	(54)	(43)

Liability for defined benefit obligations

The principal assumptions at the balance sheet date (expressed as weighted averages) are:

	UK Scheme (% per annum)		
	2010	2009	2008
Discount rate at 31 December	**5.50**	5.70	6.25
Future salary increases	**n/a**	n/a	3.70
Future pension increases	**3.65**	3.65	3.20
Inflation – RPI	**3.70**	3.75	3.20
Inflation – CPI	**3.00**	n/a	n/a
Deferred revaluation	**3.00**	3.75	3.20

On 8 July 2010, the government announced it would change the inflation index used for statutory pension increases that would apply to private sector pension schemes going forward. As a result, deferred revaluation of pensions in excess of guaranteed minimum pension for the UK scheme is now based on the Consumer Price Index ("CPI"), which previously was based on the Retail Price Index ("RPI"). The change has been recognised at 31 December in the statement of recognised gains and losses.

The expected long-term rates of return were:

	UK Scheme (% per annum)		
	2010	2009	2008
Equities	**n/a**	n/a	6.50
Bonds	**5.50**	5.70	4.50
Cash	**4.20**	4.50	3.75

39. Pensions continued

Liability for defined benefit obligations continued

For its UK pension arrangements the Group has, for the purpose of calculating its liabilities as at 31 December 2010, used PA92 medium cohort tables based on year of birth (as is published by the Institute of Actuaries). The UK mortality table is based on the latest mortality investigations and reflects an industry-wide recognition that life expectations have improved. The average life expectancy of an individual currently aged 45 years and retiring at age 65 years is 22.8 years for males and 25.6 years for females. For individuals currently aged 65 years the average life expectancy is 21.8 years for males and 24.6 years for females.

The expected long-term rate of return for investments is based on the portfolio as a whole and not on individual asset categories. The return is based exclusively on historical returns, without adjustments which are cross-checked against market expectations from external sources.

The Company expects that contributions to the defined benefit plan in 2011 will be at a similar level to contributions paid in 2010.

40. Operating lease commitments

The Company is committed to the following annual payments under operating leases:

Land and buildings which expire

	2010 £'000	2009 £'000
In less than one year	–	4

The Company has no off balance sheet arrangements that need to be disclosed as within the context of Section 410A of the Companies Act 2006.

Further details are set out in note 23.

41. Related party transactions

The Company has taken advantage of the exemptions conferred by FRS 8 and has not disclosed transactions with wholly owned subsidiaries that are part of the Group or the investees of the Group.

The Company has also taken advantage of the exemptions available under FRS 29 whereby parent companies are not required to apply the disclosure requirements of the standard in their own single entity financial statements, on the basis that the disclosures are included in the consolidated financial statements of the Group.

Five year summary
for the years ended 31 December

	Prepared under IFRSs				
	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Turnover	**99.2**	77.3	77.9	63.4	62.3
Research and development expenditure	**3.7**	3.7	3.2	2.6	2.6
Operating profit	**11.2**	5.5	5.3	3.9	5.3
Finance income/(charges)	**0.1**	(0.2)	0.3	0.6	0.5
Profit before gain on disposal of discontinued operations and taxation	**11.3**	5.3	5.6	4.5	5.8
Operating cash flow	**14.0**	11.0	6.0	5.8	2.2
Net cash	**10.4**	9.1	4.1	4.4	2.2
Shareholders' funds	**46.2**	40.1	37.5	30.8	29.7
Statistical information	**Pence**	Pence	Pence	Pence	Pence
Basic earnings per ordinary share from continuing operations	**23.8**	10.6	11.2	8.8	11.8
Dividends per share	**8.0**	6.6	6.0	5.7	5.25
Dividend cover (times)	**3.0**	2.7	1.9	1.5	2.2
Operating margin	**11.3%**	7.1%	6.8%	6.2%	8.5%
	£m	£m	£m	£m	£m
Turnover					
Continuing operations	**99.2**	77.3	77.9	63.4	62.3
Operating profit from continuing operations	**11.2**	5.5	5.3	3.9	5.3

Notice is hereby given that the Annual General Meeting ("AGM") of Dialight plc (the "Company") will be held at Glaziers Hall, 9 Montague Close, London Bridge, London SE1 9DD at 11.30am on 20 April 2011. You will be asked to consider and, if thought fit, pass the resolutions below. Resolutions 14 to 16 (inclusive) will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions.

Ordinary resolutions

1. That the Company's annual accounts for the financial year ended 31 December 2010, together with the Directors' report, the Directors' remuneration report, the Auditors' report on those accounts and on the auditable part of the Directors' remuneration report be received.
2. That the Directors' remuneration report for the financial year ended 31 December 2010 be approved.
3. To declare a final dividend of 5.2 pence per ordinary share.
4. That KPMG Audit Plc be re-appointed as auditors of the Company from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid.
5. That the Directors be authorised to determine the remuneration of the auditors.
6. That Harry Tee, CBE who retires by rotation, be re-elected as Director of the Company in accordance with the Company's Articles of Association.
7. That Roy Burton, who retires by rotation, be re-elected as Director of the Company in accordance with the Company's Articles of Association.
8. That Bill Ronald, who retires by rotation, be re-elected as Director of the Company in accordance with the Company's Articles of Association.
9. That Richard Stuckes, who retires by rotation, be re-elected as Director of the Company in accordance with the Company's Articles of Association.
10. That Mark Fryer, who was appointed a Director of the Company during the year, be elected as a Director of the Company in accordance with the Company's Articles of Association.
11. That Robert Lambourne, who was appointed a Director of the Company during the year, be elected as a Director of the Company in accordance with the Company's Articles of Association.
12. That:
    (a) the Dialight plc Annual Performance Bonus Plan (the "Plan"), a copy of the rules of which has been produced to this Meeting and, for the purposes of identification only, initialed by the Chairman and a summary of the principal terms of which is set out in the Notice, be and is hereby approved and established; and

    (b) the Directors be and they are hereby authorised to do all such acts and things as may be necessary or expedient to give effect to the Plan and to establish other employees' share schemes for the benefit of employees outside the UK, based on the Plan but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares issued or which might be issued under such other schemes are treated as counting against the limits on individual and overall participation in the Plan.

Ordinary resolutions continued

13. That, in substitution for all existing authorities, the Directors be generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to:

(a) allot shares (as defined in Section 540 of the Companies Act 2006) in the Company or grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £199,081; and

(b) allot equity securities (as defined in Section 560 of the Companies Act 2006) up to an aggregate nominal amount of £398,163 (such amount to be reduced by the aggregate nominal amount of shares allotted or rights to subscribe for or to convert any security into shares in the Company granted under paragraph (a) of this resolution 13) in connection with an offer by way of a rights issue:

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii)to holders of other equity securities (as defined in Section 560(1) of the Companies Act 2006) as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary;

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authorities to apply until the end of the Company's next AGM after this resolution is passed (or, if earlier, until the close of business on 30 June 2012) but, in each case, so that the Company may make offers and enter into agreements before the authority expires which would, or might, require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the authority expires and the Directors may allot shares or grant such rights under any such offer or agreement as if the authority had not expired.

Special resolutions

14. That, in substitution for all existing powers and subject to the passing of resolution 13, the Directors be generally empowered pursuant to Section 570 of the Companies Act 2006 to allot equity securities (as defined in Section 560 of the Companies Act 2006) for cash pursuant to the authority granted by resolution 13 and/or where the allotment constitutes an allotment of equity securities by virtue of Section 560(3) of the Companies Act 2006, in each case free of the restriction in Section 561 of the Companies Act 2006, such power to be limited:

(a) to the allotment of equity securities and the sale of treasury shares for cash in connection with an offer, or invitation to apply for, equity securities (but in the case of an allotment pursuant to the authority granted by paragraph (b) of resolution 13), such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue only):

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii)to holders of other equity securities (as defined in Section 560(1) of the Companies Act 2006), as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

(b) to the allotment of equity securities pursuant to the authority granted by paragraph (a) of resolution 13 and/or, in the case of any sale of treasury shares for cash, an allotment which constitutes an allotment of equity securities by virtue of Section 560(3) of the Companies Act 2006 or sale of treasury shares (in each case otherwise than in the circumstances set out in paragraph (a) of this resolution 14) up to a nominal amount of £29,862, such power to apply until the end of the Company's next AGM after this resolution is passed (or, if earlier, until the close of business on 30 June 2012) but so that the Company may make offers and enter into agreements before the power expires which would, or might, require equity securities to be allotted after the power expires and the Directors may allot equity securities under any such offer or agreement as if the power had not expired.

Special resolutions continued

15. That the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of ordinary shares of 1.89 pence in the capital of the Company ("ordinary shares") provided that:

(a) the maximum aggregate number of ordinary shares authorised to be purchased is 3,160,023 (representing 10% of the issued ordinary share capital);

(b) the minimum price which may be paid for an ordinary share is 1.89 pence;

(c) the maximum price which may be paid for an ordinary share is the higher of:

(i) an amount equal to 5% above the average middle market value of an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased; and

(ii)the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out, in each case, exclusive of expenses,

(d) this authority expires at the conclusion of the next AGM after this resolution is passed (or, if earlier, until the close of business on 30 June 2012); and

(e) the Company may make a contract to purchase ordinary shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of ordinary shares in pursuance of any such contract.

16. That a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

By order of the Board

Nick Giles
Company Secretary
9 March 2011

Registered Office:
Exning Road
Newmarket
Suffolk CB8 0AX

Registered in England and Wales Number 2486024

Explanatory notes on the resolutions to be proposed at the AGM
The notes on the following pages give an explanation of the proposed resolutions.

Resolutions 1 to 13 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 14 to 16 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Resolution 12 – Adoption of Annual Performance Bonus Plan
It is proposed in resolution 12 to establish and approve a new Annual Performance Bonus Plan (the "Plan"). A summary of the key terms of the Plan can be found below. The rules of the Plan, initialled for identification by the Chairman are available for inspection as noted on page 92.

Resolution 13 – Authority to allot shares
This resolution is divided into two parts. Paragraph (a) of the resolution would give the Directors the authority to allot ordinary shares up to an aggregate nominal amount equal to £199,081 (representing a maximum of 10,533,410 ordinary shares of 1.89 pence each). This amount represents approximately one-third of the issued ordinary share capital of the Company as at 9 March 2011, the latest practicable date prior to publication of the Notice of AGM.

In line with recent guidance issued by the Association of British Insurers, paragraph (b) of the resolution would give the Directors authority to allot ordinary shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £398,163 (representing a maximum of 21,066,821 ordinary shares), as reduced by the nominal amount of any shares issued under paragraph (a) of the resolution. This amount (before any reduction) represents approximately two-thirds of the issued ordinary share capital of the Company as at 9 March 2011, the latest practicable date prior to publication of the Notice of AGM.

The authorities sought under paragraphs (a) and (b) of the resolution will expire at the earlier of the conclusion of the AGM of the Company held in 2012 and 30 June 2012 (the last date by which the Company must hold an AGM in 2012).

The Directors have no present intention to exercise either of the authorities sought under the resolution, except, if necessary under paragraph (a), to satisfy the exercise of options or awards granted under existing share schemes. However, the authority gives the Directors the flexibility to take advantage of business opportunities as they arise.

As at the date of the Notice of AGM, no ordinary shares are held by the Company in treasury.

Resolution 14 – Relax restrictions normally applying to shares issued for cash
This resolution would give the Directors the authority to allot ordinary shares (or sell any ordinary shares which the Company elects to hold in treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings.

Except as provided below, this authority would be limited to allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the Board otherwise considers necessary, or otherwise up to an aggregate nominal amount of £29,862 (representing a maximum of 1,580,012 ordinary shares). This aggregate nominal amount represents approximately 5% of the issued ordinary share capital of the Company as at 9 March 2011, the latest practicable date prior to publication of the Notice.

Allotments made under the authorisation in paragraph (b) of resolution 13 would be limited to allotments by way of a rights issue only (subject to the right of the Board to impose necessary or appropriate limitations to deal with, for example, fractional entitlements and regulatory matters).

The authority sought under this resolution will expire at the earlier of the conclusion of the AGM of the Company held in 2012 and 30 June 2012 (the last date by which the Company must hold an AGM in 2012).

Explanatory notes on the resolutions to be proposed at the AGM continued

Resolution 15 – Purchase of own shares

This resolution would give authority for the Company to purchase up to 3,160,023 of its ordinary shares, representing approximately 10% of the Company's issued ordinary share capital. Purchases will only be made at a minimum price per share of 1.89 pence and at maximum price per share of the higher of: (i) an amount equal to 5% above the average middle market value of an ordinary share of the Company as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out, in each case, exclusive of expenses. If granted, the authority will expire at the earlier of the conclusion of the AGM of the Company held in 2012 and 30 June 2012 (the last date by which the Company must hold an AGM in 2012).

The Directors will determine whether any ordinary shares acquired to this authority are to be cancelled or held in treasury at the time that they resolve to exercise the authority. As at 9 March 2011, the latest practicable date prior to publication of the Notice, the total number of awards outstanding under Group share plans was 1,060,893 which represents 3.4% of the issued shares at that time and would represent 3.7% of the issued share capital if the Directors used the existing authority to purchase shares.

The Directors are of the opinion that this authority, if renewed, will continue to give them greater flexibility to manage the issued share capital of the Company for the benefit of the shareholders and would only use this authority if it is for the benefit of the shareholders as a whole.

The Directors have no present intention of exercising the authority conferred by this resolution.

Resolution 16 – Notice of general meetings

Changes made to the Companies Act 2006 by the Shareholders' Rights Regulations increase the notice period required for general meetings of the Company to 21 days unless shareholders approve a shorter notice period, which, cannot, however be less than 14 clear days (AGMs will continue to be held on at least 21 clear days' notice).

Until the coming into force of the Shareholders' Rights Regulations on 3 August 2009, the Company was able to call general meetings other than an AGM on 14 clear days' notice without obtaining such shareholder approval. In order to preserve this ability, resolution 16 seeks such approval. The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed. Note that the changes to the Companies Act 2006 mean that, in order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting.

Recommendation

Your Directors consider that all the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole.

Your Directors will be voting in favour of them and unanimously recommend that you do as well.

Summary of the Principal Terms of The Plan

Bonus awards

1. Selected senior executives within the Dialight group of companies ("the Group") may be awarded an annual bonus determined by reference to (a) the attainment of corporate performance targets for a given year, and (b) the executive's personal performance. The amount of such annual bonuses are determined by the Group Chief Executive or, in relation to any director of the Company, the Remuneration Committee of the Company ("the Committee"). Such a bonus is normally paid in cash, but under the Plan, a proportion of the bonus, being that which is payable on achievement of the most stretching performance targets, may be paid in the form of an appropriation of shares in the Company ("a Deferred Share Bonus").

2. In relation to annual bonuses made for the current financial year (ending 31st December 2011), it is intended that, in the case of the Group Chief Executive and the Group Finance Director, the total amount of such bonuses may not exceed 150% and 100% of their respective rates of basic salary (as at the year end). If and insofar as, and by reason of the attainment of the most stretching performance targets, such bonuses exceed 100% and 75% of their respective rates of basic salary, such bonuses will be paid to them in the form of Deferred Share Bonuses.

Terms of a Deferred Share Bonus

3. Shares in respect of which a Deferred Share Bonus is awarded ("Award Shares") will vest in tranches at the end of one or more periods (not in any event exceeding the 5th anniversary of the time when the bonus award is made) during which the participant is at risk of forfeiting some or all of the shares if he or she leaves the Group otherwise than for specified reasons. If a participant leaves the Group before such Award Shares have become vested then, unless this is by reason of disability, redundancy or death in service, or the sale or transfer outside the Group of the business or subsidiary in which the participant is engaged, or the Committee determines otherwise, the participant's entitlement to such Award Shares (and any amount of bonus represented by the Deferred Share Bonus) will be forfeited. If the participant leaves the Group in such a specified circumstance, then the Committee may determine that unvested Award Shares be released within a specified period or periods following such cessation of employment.

Determination of the number of Award Shares

4. The number of Award Shares in respect of which a Deferred Share Bonus is awarded will be determined by reference to the average of the middle market quotations of a share in the Company in the period of 5 consecutive dealing days next following the announcement of the Company's financial results for the relevant bonus year.

Issue of new shares

5. The Company may issue new shares, or transfer shares out of treasury for the purpose of satisfying such Deferred Share Bonuses. Such new shares may be issued to participants or to the trustee of the Company's employee share ownership trust, for the purposes of the Plan. If allotted and issued as new shares, the directors may determine that the nominal or par value of such shares be paid up by a capitalisation of reserves.

6. The number of shares which may on any day be so issued (whether as new shares or transferred out of treasury) for the purposes of the Plan, when added to the number of shares in the Company which have been so issued or transferred or in respect of which rights to subscribe for new shares have been granted (and, if not exercised, have not lapsed) under or for the purposes of any other employees' share scheme in the period of ten years ending on that day, may not exceed 10% of the ordinary share capital of the Company in issue on that day.

Corporate events

7. In the event of a change of control (takeover), demerger, statutory reconstruction or winding-up of the Company, the Committee may determine that Award Shares shall then be released.

Operation of the Plan

8. The operation of the Plan will be overseen by the Committee.

Amendment of the Plan

9. The Committee may amend the Plan in any respect except that the provisions relating to eligibility, the basis for determining the number of Award Shares, the issue of new shares and the basis for determining and adjusting a participant's entitlement to acquire shares, cash or other benefits and the adjustment of such entitlements in the event of a capitalisation issue, rights issue or open-offer, sub-division or consolidation of shares or reduction of capital or any other variation of capital, cannot be altered to the advantage of participants without the prior approval of shareholders in general meeting, except for minor amendments to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the Plan or for any member of the Group.

This summary does not form part of the Plan and should not be taken as affecting the interpretation of the detailed rules of the Plan. The Directors reserve the right up to the time of the AGM to make such amendments and additions to the rules of the Plan as may be necessary to take account of comments of the UK Listing Authority or otherwise, provided such amendments do not conflict in any material respect with this summary.

The notes below provide information on the content of the Notice:

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the AGM. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions is sent to all shareholders. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or on 0871 384 2495 (for callers calling from the UK. Calls to this number are charged at 8 pence per minute from a BT landline; other provider costs may vary. Lines open 8.30am to 5.30pm, Monday to Friday) or +44 (0)121 415 7047 (for those calling from abroad).

2. To be valid, any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZR in each case no later than 11.30am on 18 April 2011. Shareholders who would prefer to register the appointment of their proxy electronically via the internet can do so through the Sharevote website, www.sharevote.co.uk, using their Personal Authentication Reference Number (this is the series of numbers printed under the headings Voting ID, Task ID and Shareholder Reference Number on the Proxy Form). Full details and instructions on these electronic proxy facilities are given on the website. Any electronic communication sent by a shareholder to the Company or to the Registrar which is found to contain a computer virus will not be accepted.

3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 9 below) will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.

4. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

5. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

6. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 6.00pm on 18 April 2011 (or, in the event of any adjournment, 6.00pm on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the AGM.

7. As at 9 March 2011 (being the last business day prior to the publication of this Notice) the Company's issued share capital consisted of 31,600,231 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 9 March 2011 were 31,600,231.

8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available via www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by 11.30am on 18 April 2011. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Personal Member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The notes below provide information on the content of the Notice continued:

11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
13. Under Section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditors' report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
14. Any member attending the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.
15. A copy of this Notice, and other information required by Section 311A of the Companies Act 2006, can be found at www.dialight.com.
16. Copies of the following documents will be available for inspection at the Company's registered office during normal business hours (Saturdays, Sundays and public holidays excepted) from the date of this notice until the date of the AGM and at the place of the AGM for 15 minutes prior to and during the meeting:

    (i) the register of Directors' interests in shares of the Company;

    (ii) copies of all service agreements under which Directors of the Company are employed by the Company or any subsidiaries;

    (iii) a copy of the terms of appointment of the Non-Executive Directors of the Company; and

    (iv) a copy of the proposed Dialight plc Annual Performance Bonus Plan rules.
17. You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

Directory and shareholder information

Company Secretary and Registered Office
Nick Giles FCIS
Exning Road
Newmarket
Suffolk CB8 0AX
Telephone: +44 (0)1638 778640
Registered in England & Wales – Company Number 2486024
Email: info@dialightplc.com
www.dialight.com

Financial advisers
DC Advisory Partners Ltd
60 Threadneedle Street, London EC2R 8HP

Stockbrokers
Canaccord Genuity Ltd
7th Floor, Cardinal Place,
80 Victoria Street,
London SW1 5JL

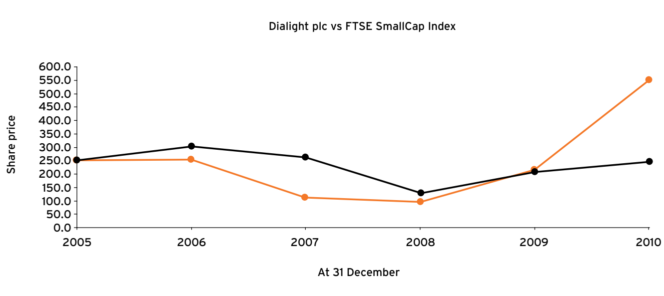
Registrars
Equiniti
34 South Gyle Business Park, Edinburgh EH12 9EB

Equiniti's Shareholder Contact Centre can be contacted by telephone on 0871 384 2030* (International callers: +44 121 415 7047) between 8.30am and 5.30pm each business day, excluding Bank Holidays.

You can also access details of your shareholding and a range of other shareholder services by registering at www.shareview.co.uk

*Calls to this number are charged at 8 pence per minute from a BT landline. Charges from other telephone providers may vary.

Share price
Information concerning the day-to-day movement of the share price of the Company can be found on our website www.dialight.com or the London Stock Exchange's website www.londonstockexchange.com



Dealing service
Equiniti offers Shareview Dealing, a service which allows you to sell your Dialight plc shares or add to your holding if you are a UK resident. You can deal in your shares on the internet or by telephone. For more information about this service and for details of their rates, log on to www.shareview.co.uk/dealing or telephone them on 0845 603 7037 between 8.30am and 4.30pm, Monday to Friday. If you wish to deal, you will need your account/shareholder reference number which appears on your share certificate.

Alternatively, if you hold a share certificate, you can also use any bank, building society or stockbroker offering share dealing facilities to buy or sell shares. If you are in any doubt about buying or selling shares, you should seek professional financial advice.

Auditors
KPMG Audit Plc
One Snowhill, Snow Hill Queensway, Birmingham B4 6GH

Legal advisers
Clifford Chance LLP
10 Upper Bank Street, London E14 5JJ

Butzel Long
380 Madison Avenue, 22nd Floor, New York, NY 10017, USA

Principal bankers
Barclays Bank PLC
PO Box 885, Mortlock House, Station Road, Histon, Cambridge CB24 9DE

Financial calendar 2011/2012

Annual General Meeting	20 April 2011
Payment of final dividend	6 May 2011
Announcement of Half Year results	25 July 2011

Regional headquarters
Dialight Corporation
1501 Route 34 South
Farmingdale, NJ 07727
US
Telephone: +1 732 919 3119
Facsimile: +1 732 751 5778

Dialight Europe Limited
Exning Road
Newmarket
Suffolk CB8 0AX
Telephone: +44 (0) 1638 665161
Facsimile: +44 (0) 01638 660718

Dialight plc
Exning Road
Newmarket
Suffolk CB8 0AX

www.dialight.com

MIX
Paper from responsible sources
FSC® C022913
www.fsc.org

This report was printed by The Pureprint Group using their environmental print technology which minimises the impact of printing on the environment. Vegetable based inks have been used and 99% of dry waste is diverted from landfill. The Pureprint Group is a CarbonNeutral® company.